



# **LUMAX**

## **AUTOMOTIVE PARTS**

### *Twenty Second* **ANNUAL REPORT** **2002-2003**

**Lumax Industries Limited**

**LUMAX**

AUTOMOTIVE PARTS

**Lumax Industries Limited****BOARD OF DIRECTORS**

Mr. S. C. Jain	(Chairman & Sr. Mg. Director)	
Mr. D. K. Jain	(Vice Chairman & Mg. Director)	
Mr. U. K. Jain	(Executive Director)	
Mr. Deepak Jain	(Executive Director)	
Mr. Y. Muraga	(Executive Director)	} Nominees of Stanley, Japan
Mr. S. Watanabe	(Executive Director)	
Mr. A. Nakamura	(Director)	
(Mr. Prem Nath Rai—Alternate)		
Mr. H. D. Maheshwari	(Director)	
Mr. A. P. Gandhi	(Director)	Nominee of IDBI
Mr. Deep Kapuria	(Director)	
Mr. Gursaran Singh	(Director)	
Mr. Suman Jyoti Khaitan	(Director)	

**SECRETARY**

Mr. K. V. Vijayan

**AUDITORS**M/s K. S. Gupta & Company  
Chartered Accountants, DelhiM/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 : 25500010, 25541975  
Fax : 25501233  
E-mail : lumxshre@del6.vsnl.net.in**CORPORATE OFFICE**B-86, Mayapuri Industrial Area,  
New Delhi-110 064**WORKS**

- a) D-2/43 & D-2/44, MIDC Industrial Area, Chinchwad, Pune
- b) 29, DLF Industrial Estate, Phase-II, Faridabad
- c) Plot No. 16, Sector 18, Maruti Complex, Gurgaon
- d) Plot No. 78, Sector 6, Faridabad
- e) C-10, MIDC Indl. Area, Aurangabad
- f) 131, Roz-Ka-Meo Industrial Estate, Sohna
- g) 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 22<sup>nd</sup> Annual General Meeting of the Shareholders of the Company will be held on **TUESDAY the 16th SEPT. 2003 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 2003 and the Directors' and Auditors' Report thereon.
2. To declare the Dividend on Equity Shares.
3. To appoint a Director in place of Mr. A. Nakamura, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Y. Muraga, who retires by rotation and being eligible, offers himself for re-appointment.
5. 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 :

6. 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".

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

"Resolved that Mr. Gursaran Singh who was appointed as a casual 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. Suman Jyoti Khaitan who was appointed as a casual 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 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, and subject to the approval of Central Govt. the consent of the members is hereby accorded to the appointment of Mr. S. Watanabe as Executive Director for a period of 2 years w.e.f. 01-11-02 on a salary of Rs.55000/- per month 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. S. Watanabe 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."

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

"Resolved that pursuant to relevant provisions of the Companies Act, 1956 the consent of the company is hereby accorded to the re-appointment of Mr. Y. Muraga, a Nominee of Stanley Electric Co. Ltd., Japan as Executive Director for another one year w.e.f. 27-07-03 on the existing terms and conditions i.e. a salary of Rs.50000/- per month 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 further that in the absence of or inadequacy of net profit during any Financial Year, Mr. Y. Muraga shall be paid the salary and other perquisites as detailed in the Agreement entered with him, as minimum remuneration which shall further be within the overall ceiling as specified in Section II of Part II of Schedule XIII of the Companies Act, 1956."

BY ORDER OF THE BOARD

Place : New Delhi  
 Dated : 30-07-2003

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 such 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 5th Sept. to 16th Sept. 2003 (both days inclusive).

3. **Dividend Entitlement :** Dividend on equity shares, as recommended by the Directors, if declared at the meeting will be payable to those members whose name appear in the Register of Members of the Company as on 16th Sept. 2003. In the case of beneficial owners holding shares in electronic form the dividend will be paid as per the beneficial ownership data furnished by NSDL/CDSL for the purpose.

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 25th Sept. 2003.

4. **Consequent upon the amendment to Section 205 A of the Companies Act, 1956 and the introduction of Section 205 C to the Companies Act,** the amount of dividend unclaimed or unpaid for a period of 7 years from the date of transfer to unpaid account shall be transferred to the Investor Education & Protection Fund set up by Govt. of India and no payment shall be made in respect of any such claims by the Fund.

Accordingly unpaid dividend amount for the year ended 31-03-96 is due for transfer to the Investor Education & Protection Fund in November 2003. Members who have not encashed their dividend for the year ended 31-03-96 and onwards are therefore, requested to make their claims to the company immediately.

5. **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.

6. **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.

7. **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. 6 :**

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. 7 :**

Mr. Gursaran Singh was appointed as Director of the Company on 30-01-03 against the casual vacancy caused by the resignation of Mr. Mahesh K. Jain. He will continue in the post only up to the ensuing AGM. Therefore, members' approval is required for his appointment.

Mr. Gursaran Singh, Intermediate (67 years) is an Industrialist in the business of Automotive Parts having an experience of 48 years. He is promoter/MD of GNA group of companies, Jalandhar.

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 vast experience in the Auto Industry. Therefore, the board recommends his appointment. None of the Directors except Mr. Gursaran Singh himself is concerned or interested in this resolution.

**Item No. 8 :**

Mr. Suman Jyoti Khaitan was appointed as Independent Director against the casual vacancy caused by the resignation of Mr. Rajan Jain. Mr. Suman Jyoti Khaitan has to be appointed as a regular director in the AGM with the approval of the members.

Mr. Suman Jyoti Khaitan, B.A. (Hons.) Econ., LLB (44 years) joined the company on 30-01-2003. Mr. Khaitan is in legal profession and a partner in Khaitan & Co., Delhi (Advocate & Notaries). He is also holding Independent Directorships in many limited companies.

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 appointment in the Board will help the company in getting proper advice on legal and other allied matters. Therefore, the Board recommends his appointment. None of the Directors except Mr. Suman Jyoti Khaitan himself is concerned or interested in this resolution.

**Item No. 9 & 10 :**

Mr. S. Watanabe, Nominee of Stanley was appointed as Director w.e.f. 31-07-02 against the vacancy of Mr. K. Orii and in the last AGM dated 12-09-02 members' approval was taken as a regular director.

The Board appointed Mr.S. Watanabe as Executive Director for a period of 2 years w.e.f. 01-11-02 subject to the approval of Members and the Central Govt. The approval of Central Govt. is required as he was not staying in India for a continuous period of not less than 12 months immediately preceding his date of appointment, as per Clause (e) of Part I of Schedule XIII of the Companies Act, 1956. Necessary application for the Govt. approval was made and approval up to the ensuing AGM has since been received. It will be extended further by the Govt. on filing the resolution of members being passed.





Mr. Watanabe (57 years), after his high school education from Fukushima (specialisation in Electrical) joined Stanley Electric Co. Ltd., Japan (Collaborator) in April 1965. He has held various positions in that company and was the unit head of Kumamoto plant of Stanley, before coming to India.

Mr. Y. Muraga, Executive Director is a Nominee of the Collaborator viz. Stanley Electric Co. Ltd., Japan. His 2 years term expired on 26-07-03. In accordance with the Service Agreement entered into between the Company and the Collaborator, the Board of Directors in its meeting held on 30-06-03 decided to extend his tenure for one more year without any change in his remuneration, as specified in the earlier Agreement.

The remuneration package of Mr. S. Watanabe and Mr. Y. Muraga which have been already recommended by Remuneration Committee are as follows :

	<u>Mr. S. Watanabe</u>	<u>Mr. Y. Muraga</u>
Salary:	Rs.55,000/- per month. The Board of Directors to fix such annual increment as may be deemed fit, effective from 01 <sup>st</sup> April every year.	Rs.50,000/- per month. The Board of Directors to fix such annual increment as may be deemed fit, effective from 01 <sup>st</sup> April every year.
Family Allowance:	Rs.27,500/- being 50% of the Salary (Payable for the period when the family stay with the appointee)	Rs.25,000/- being 50% of the Salary (Payable for the period when the family stay with the appointee)

Perquisites & other Allowances common to both the appointees :

**a. Proceeding allowance and outfitting allowance to self and his family.** : The Executive Directors shall be eligible for proceeding/departure allowance at the rate of two months salary. Further he will be paid all travelling expenses and incidentals incurred in India. His spouse and each of his children of above 12 years age are eligible for proceeding & outfit allowances at the rate of 50% of 2 months salary and at the rate of 25% in case of children below 12 years.

**b. Housing** : The Company to provide free, fully furnished accommodation with the facilities of Telephone, Gas, Electricity and Water etc. The Company also to bear the actual expenses incurred on maintenance, repairs and other facilities as required from time to time. The taxable perquisite value on the free furnished accommodation will be taken as per the Income Tax Rules.

**c. Medical Aid** : Expenses in connection with the medical check up twice a year, Air fare from India to Japan and return and other medical expenses etc. as per the Service Agreement between the Company and Stanley.

**d. Other benefits** : i) The Company will provide to the whole-time Directors chauffeur driven cars. The Company shall bear all the expenses in respect of the car such as garaging charges, servicing, repairs, fuel, taxes, comprehensive insurance premium etc. including the salary for the driver. Use of Car for personal purpose shall be billed by the Company.

ii) The Company to pay to and fro travelling expenses to the whole-time Directors and to his family when he goes on special leave/holiday passage granted to him.

All the perquisites and benefits shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such rules perquisites shall be evaluated at actual cost.

#### **Minimum remuneration :**

In the event of absence of or inadequacy of net profit during any of the financial year, the remuneration to the Executive Directors as mentioned above shall be paid as the minimum remuneration which is within the ceiling specified in Section-II of Part-II of Schedule-XIII of the Companies Act, 1956.

None of the directors except Mr.S. Watanabe and Mr.Y. Muraga, is interested in these resolutions. The Board of Directors recommend their appointment for approval of the Members.

BY ORDER OF THE BOARD

Place : New Delhi  
Dated : 30-07-2003

K.V. VIJAYAN  
COMPANY SECRETARY



# 22nd Annual Report 2002-2003


 Report Junction.com

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**ANNUAL GENERAL MEETING ON 16th SEPTEMBER 2003**



# Lumax Industries Limited

## DIRECTORS' REPORT

To the Shareholders,

The Board of Directors of your company are happy to present the 22<sup>nd</sup> Annual Report together with Audited Balance Sheet and Profit & Loss A/c for the year ended 2002-2003.

### FINANCIAL RESULTS

	2002-2003	2001-2002
	Rs. in million	
SALES (Excluding Excise Duty)	2127.33	1913.12
Gross Profit (before Interest, Dep. & Tax)	228.79	219.60
(-) Interest	70.14	82.89
(-) Depreciation	134.38	125.40
<b>PROFIT :</b>	24.27	11.31
(+) Balance in the P&L A/c b/f	0.03	0.07
(+) Transfer from Revaluation Reserve	0.80	0.01
<b>PROFIT - for appropriation</b>	25.10	11.39
<b>Appropriation :</b>		
Provision for Taxation (Including Dividend Tax)	3.68	1.05
Proposed Equity Dividend	12.52	10.01
Transfer to General Reserve	8.50	0.30
Balance retained in P&L A/c	0.42	0.03
	25.10	11.39

### DIVIDEND

The Board has recommended a dividend of 15% (12% in the previous year) on the Equity Shares of the company for the year ended 31-03-2003. This will absorb a sum of Rs.14.12 million including Dividend Tax.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### a. Industry Structure and Development

The GDP growth was 4.4%, which compares poorly with GDP growth of 5.6% recorded in the previous fiscal. This was due to the dismal agricultural performance. In contrast to the agricultural sector, the industrial sector recorded an impressive growth of 6%. In the Auto Industry, four-wheeler category, robust growth was recorded across all other segments. Passenger cars recorded 6.4%, Light Commercial Vehicles was 33.36% and Medium & Heavy Vehicles was 29%. In the two-wheeler category, Motorcycles continued an upward trend, registering a growth of 28.36%, in contrast to the Scooters, which showed a negative growth of 8%.

The overall increase in demand in the Auto Industry reflected a corresponding growth in the Auto Ancillaries. Most of the Ancillaries showed a sales revenue increase of 10 to 15%. However, the Ancillaries continues to witness pressure on selling prices and profit margins because of cost reduction practices, which have become a norm in the Industry.

#### b. Opportunities and Threats

Having established "Lumax" as a successful brand, your company has the unique advantage of having multiple locations, customer & technology partners. The Auto Industry is aggressively taking up supplier upgradation & consolidation as the next step towards cost cutting. Due to the above-mentioned advantage, your company is being perceived as a "Neutral Supplier" and has become the first choice as a long-term supplier for all the major Auto Manufacturers. It is expected that because of the consolidation activity more business will come and long-term stability will be established.

In the domestic market, your company has a new customer, Honda Motorcycle & Scooters India Pvt. Ltd. (HMSI). It is expected that HMSI will rapidly grow giving us a new opportunity to increase our revenue. On the export front, negotiations are in an advanced stage with MG Rover, UK for supply of lighting components and with Automotive Lighting, Malaysia for manufacturing PC hard/coated Lenses. There are also potential enquiries from Ford India (Pvt.) Ltd. for export to the European market. Hence the outlook is very promising.

However, the markets continue to become more competitive and apparently more component manufacturers with comparative technologies are establishing themselves. Hence, we will see more price-cutting and bottom line coming under constant pressure. In the retail market, apart from the burden of spurious and duplicate goods, the liberalized import policy has easily made available cheap auto products from China and other South East Asian countries. All these trends are threats to the Indian component manufacturers including our Company.

#### c. Product-wise performance

Three main products of the company are (1) Lighting equipment (2) Filters and (3) Rear View Mirrors for automotive vehicles. Performance of these three segments are as follows :

	Turnover (Rs. million)	Increase Over Last Year
1. Lighting Equipment (Head Lamp & Rear Combination Lamp)	1268.07	12.0%
2. Filters	162.58	22.9%
3. Rear View Mirrors	185.62	07.0%
4. Miscellaneous Items	511.06	07.0%

Your company caters to more than 18 vehicle manufacturers in India. Top 5 customers of the company along with the percentage of turnover is given below :

	%age of Turnover
1. Maruti	24.5
2. Telco	14.2
3. Bajaj	11.9
4. Honda Sael	05.2
5. Hero Honda	05.1

Around 85% of the products of the company is supplied as OE fitment, 14% to replacement market and 1% to export market.



## Lumax Industries Limited

### d. Outlook

In view of the increased demand in the auto sector, the board expects to achieve higher growth in turnover and profit margin during the current financial year. During the first quarter the company has recorded a turnover of Rs.549.96 million and net profit of Rs.9.97 million.

### e. Risk and concerns

The current competitive trend among manufacturers and ever changing taste in demand of consumers, place any business in a vulnerable position of risk and concern. The performance of the auto industry depends on various economic factors and its cyclical nature.

The current phase of boom in the sector may be of short-term nature. Against this back ground, your company, having given more attention to the OE segment, expects to perform a balanced growth.

### f. Internal Control System and their Adequacy.

The company has an adequate internal control system to ensure that all transactions are authorised recorded and reported correctly. The company has seven manufacturing units located in Haryana and Maharashtra states and each unit is placed under a unit head with clear-cut delegation of powers and duties. They perform under laid down procedures, guidelines and manuals of the company.

The company has an internal audit division, manned by able staff who make periodical visit to all units and conduct internal audit as per the laid down procedures and policies. Periodical reports are prepared and reported to the management and appropriate corrective measures are taken. The Audit Committee of the Board review the performance of the Internal Audit and make necessary recommendations to the Board.

### g. Discussion on Financial Performance.

The company has registered 11.2% growth in net sales to Rs.2127.3 million and 114.5% growth in profit to Rs.24.27 million. Cash profit of the company is Rs.155 million as against Rs.135.6 million in the previous year. The Finance Cost of the company was reduced by Rs.12.8 million with the restructuring and retiring of loan funds.

### h. Industrial Relations

The company maintained a cordial relationship with the workers during the year under report. The workers are motivated with better service conditions which is at par with the best in the industry.

### i. Quality Assurance & Environment Management

The Company is committed to continuous improvement in quality for its entire range of products. It has full-fledged testing and laboratory services to provide reliable products to meet customer satisfaction. A centralised quality division located at Gurgaon plant facilitates interaction between various plants to share and communicate knowledge.

During the year under review focus was particularly on activities of specific importance with regard to quality management systems and process support studies. Several studies were conducted to rectify process problems and improve the quality and yield of final product.

The company's efforts received accolades during the year when its Gurgaon and Dharuhera plants were credited with the coveted ISO/TS-16949:2002 certification.

Clean environment for sustainable development is of prime concern to the company. It has become an important business objective, achieved by each and every employee's contribution and responsibility towards environmental performance. Gurgaon and Dharuhera plants are currently in the process of implementing the Environment Management System as per ISO 14001 and final certification audit is awaited in the current year.

### DEMERGER SCHEME

After getting the approval of the members/creditors in the meetings held on 11-04-2003 company's petition for the demerger scheme of Mirror and Filter Divisions to a new Company Lumax Air Cleaners Ltd. is listed for hearing on 12/09/03 with Hon'ble High Court of Delhi. After the demerger, the Lighting Division will be retained with the company.

As per the scheme on approval by the Court, every shareholder of the company will be allotted one Equity Share of Rs.10/- each (at par) of Lumax Air Cleaners Ltd. for every two shares held in the company as on record date to be fixed at a later time.

### JOINT VENTURE COMPANIES

Members are aware that your company has invested Rs.31.5 million in Lumax Samlip Industries Ltd., a company based in Chennai, manufacturing and supplying lighting equipment to Hyundai (India) Ltd. This company is doing well and hope to come in dividend list in one or two years. The management of this company is entirely with the Joint Venture Partner Samlip Industrial Co. Ltd., South Korea. Your company has nominated two directors in the Board of Lumax Samlip Industries Ltd.

Another Joint Venture company namely Lumax GHSP Ltd. was established in 1997 with M/s GHSP a division of JSJ Corporation of USA as JV partner. During the year under report GHSP has left the Joint Venture after offloading their shareholding in favour of Mr.D.K. Jain, major stakeholder of that company. Consequently the name of that company has been changed to Lumax DK Auto Industries Ltd. Your company has an investment of Rs.9.10 million in this company which is 21.5% of the equity.

### DIRECTORS

During the year under report Mr. Mahesh K. Jain (Director) and Mr. Rajan Jain (Executive Director) resigned from the Board on 16-01-03. The Board has placed on record its appreciation for the valuable services rendered by these directors to the company.

The Board has appointed Mr. Gursaran Singh and Mr. Suman Jyoti Khaitan as Independent Directors against the vacancy caused by the resignation of Mr. Mahesh K. Jain and Mr. Rajan Jain on 30-01-2003, 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.

Mr. S. Watanabe, Nominee of Collaborator - Stanley was appointed as Director in the last AGM. The board appointed him as Executive Director w.e.f. 01-11-2002 for a period of two years, which is subject to the approval of the members in the next AGM and the Central Govt.





## Lumax Industries Limited

as he is a foreign national and was not residing in India for one year before taking up his assignment.

The two year term of Mr. Y. Muraga, Executive Director (Nominee of Stanley) expired on 26-07-2003 and the board has decided to extend his term by one more year i.e. up to 26-07-2004 on the existing terms and conditions subject to the approval of the members in the AGM. Mr. Muraga is also retiring by rotation in the next AGM and offers himself for re-appointment.

Mr. A. Nakamura (Nominee of Stanley) retires by rotation in the next AGM and offers himself for re-appointment. As Mr. Nakamura is a Non Resident Director, the Board has appointed Mr. Prem Nath Rai as Alternate Director in his place.

### DIRECTORS 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' qualification at para 2(d)(i) regarding the non compliance of the Accounting Standard (AS-15) relating to the provision of liability in respect of earned leave due to employees, relevant notes on accounts given in Schedule 20 are self explanatory. The Board has decided to take care of this matter in future.

### OTHER INFORMATION

Information pursuant to Section 217(1)(e) of the Companies Act 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, details are given below :

#### a. Conservation of energy

Adequate measures have been taken for the energy conservation. No significant investment has been made for reduction of energy

consumption as the company is not a power intensive unit. Therefore, the details of power and fuel consumption are also not given.

#### b. (i) Research & Development

The R&D center of the company continued to develop various lighting equipment for the new models of vehicles for Maruti, Hero Honda, Bajaj Auto etc. Apart from that it also developed Head Lamp/Tail Lamp assemblies for Telco (Indigo-Car) and Honda Scooters during the year under review.

Expenditure on R & D :

	Rs.
a. Recurring	6966450
b. Capital	27040
Total	6993490
c. Total R&D expenditure percentage to turnover	0.33%

#### (ii) Technology Absorption

The company's R&D is supported by technical association from Stanley Electric Co. Ltd., Japan with whom the company has technical collaboration agreement in automotive lighting equipment. The company has also entered into technical agreement with M/s Automotive Lighting Reutlingen, GMBH, Germany, and M/s Valeo Lighting Systems, France for the development of lighting equipment for Ford India (Pvt.) Ltd. In filter segment also the company has obtained technical assistance from Toyo-Roki Manufacturing Company Ltd., Japan.

The company is in continuous process of absorption of the technology from the above mentioned collaborators for indigenisation.

#### c. Foreign Exchange Earning and Outgo:

This information is given in notes on accounts at Sl.No.10, 11 and 12.

#### d. Information under Section 217 (2A) on remuneration to employees.

None of the employees was in receipt of remuneration exceeding Rs.24 lakhs or above per annum or Rs.2 lakhs or above per month during the financial year 2002-2003.

### CORPORATE GOVERNANCE

As per the amended Listing Agreement with the Stock Exchange the company is required to comply with the requirements of Corporate Governance by 31-03-2003. The report on Corporate Governance together with the Auditor's Certificate regarding the Compliance of Conditions of Corporate Governance forms part of the Annual Report.

### ACKNOWLEDGEMENT

The Board wishes to place on record its sincere thanks to the Collaborators, Customers, Financial Institution, Banks, Vendors etc. for their continued help and patronage. The Board is also pleased to convey its appreciation for the dedicated services rendered by all the employees of the Company

for and on behalf of the Board of Directors

Place : New Delhi  
Dated : 30-07-2003

S. C. Jain  
Chairman



# Lumax Industries Limited

## CORPORATE GOVERNANCE REPORT

1. **Company's Philosophy :** The company is committed to become a world class Auto Component Manufacturer by giving utmost satisfaction to its customers and ultimately increase the shareholder value.

The company recognises the importance of Corporate Governance for the efficient conduct of business and in meeting its obligations towards shareholders and other stakeholders. It has always been an investor friendly company in the past and it shall continue to be so with more efforts, in future.

2. **Board of Directors :** As on 31-03-03 strength of the Board was 12; out of which four are promoter Directors (Whole-time), three nominees of Equity/ Technical Collaborators namely Stanley Electric Co. Ltd., Japan (2 Whole-time), one IDBI Nominee (Independent Director) and four other Independent Directors. Reconstitution of the Board will be undertaken after the Demerger of the Company.

During the year the company has held 7 Board Meetings on 3<sup>rd</sup> June, 28<sup>th</sup> June, 31<sup>st</sup> July, 28<sup>th</sup> Oct., 10<sup>th</sup> Dec.2002, 30<sup>th</sup> Jan. & 21<sup>st</sup> Feb. 2003. Details of composition and category of the Board, attendance of Directors in the Board Meeting etc. are shown below :

Name & Designation	Category	Attendance at the Board Meetings	Whether attended last AGM	No. of Directorship in other Companies		No. of Committee position held in other companies	
				Chairman	Member	Chairman	Member
Mr. S.C. Jain Chairman & Sr.Mg.Director	Promoter	5/7	Yes	-	7	-	-
Mr. D.K.Jain Vice Chairman & Mg. Director	Promoter	7/7	Yes	-	9	-	-
Mr. Mahesh K. Jain Director (up to 16-01-03)	Promoter	1/5	Yes	-	-	-	-
Mr. U.K. Jain Executive Director	Promoter	1/7	No	-	5	-	-
Mr. Rajan Jain Executive Director (up to 16-01-03)	Promoter	3/5	Yes	-	-	-	-
Mr. Deepak Jain Executive Director	Promoter	7/7	Yes	-	6	-	-
Mr. A. Nakamura Director (Stanley-Nominee)	Non-Independent	-	No	-	4	-	-
Mr. K. Orii Executive Director (Stanley-Nominee) (up to 20-7-02)	Non-Independent	1/2	N.A.	-	-	-	-
Mr. Y. Muraga Executive Director (Stanley-Nominee)	Non-Independent	4/7	Yes	-	-	-	-
Mr. Anil Bhalla Director (up to 22-07-02)	Independent	2/2	N.A.	-	-	-	-
Mr. H.D. Maheshwari Director (IDBI-Nominee)	Independent	6/7	No	-	1	-	-
Mr. A.P. Gandhi Director (w.e.f. 31-07-02)	Independent	3/4	No	1	1	-	-