

LUMAX

AUTOMOTIVE PARTS

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Lighting the Path to A Brighter Future

25th Annual Report
2005-06



Lumax Industries Limited

BOARD OF DIRECTORS

Mr. D.K. Jain	(Chairman & Managing Director)	
Mr. Deepak Jain	(Executive Director)	
Mr. Anmol Jain	(Executive Director)	
Mr. Y. Muraga	(Executive Director)	- Stanley Nominee
Mr. A. Nakamura	(Director)	- Stanley Nominee
Mr. P.S. Dubey	(Independent Director)	- IDBI Nominee
Mr. A.P. Gandhi	(Independent Director)	
Mr. Deep Kapuria	(Independent Director)	
Mr. Gursaran Singh	(Independent Director)	
Mr. Suman Jyoti Khaitan	(Independent Director)	

SECRETARY

Mr. K.V. Vijayan

AUDITORS

M/s S.R. Batliboi & Associates
Chartered Accountants, New Delhi

BANKERS

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



REGISTRAR & SHARE TRANSFER AGENT

M/s Karvy Computershare Pvt. Ltd.
"Karvy House"
46, Avenue 4, Street No.1, Banjara Hills,
Hyderabad – 500034 (Andhra Pradesh).
E-mail : mailmanager@karvy.com

CORPORATE OFFICE

B-86, Mayapuri Industrial Area, New Delhi – 110064

REGISTERED OFFICE

2nd Floor, Harbans Bhawan-II
Nangalraya Business Centre,
New Delhi – 110046
E-mail : lumaxshare@bol.net.in

WORKS

- Plot No.16, Sector-18, Maruti Complex, Gurgaon (Haryana)
- Plot No.6, Indl. Area, Dharuhera, Dist. Rewari (Haryana)
- D2-43/2, M.I.D.C. Industrial Area, Chinchwad, Pune (Maharashtra)
- Plot No.37, WMDC, Kharabwadi, Ambethan Rd., Chakan, Tal: Khed, Dist. Pune (Maharashtra)
- 608, Chakan Talegaon Road, Mahalunge Ingle, Chakan, Pune (Maharashtra)
- 245, GST Road, Oorapakam, Kanchipuram Dist., Tamil Nadu.

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ANNUAL GENERAL MEETING ON 6TH SEPTEMBER 2006

LUMAX**AUTOMOTIVE PARTS****Lumax Industries Limited****DIRECTORS' REPORT****TO THE MEMBERS,**

Your directors have pleasure in presenting the 25th Annual Report together with Audited Balance Sheet and Profit & Loss A/c of your company for the year ended 31st March, 2006.

FINANCIAL RESULTS	2005-2006	2004-2005
	Rs. in million	
SALES (Excluding Excise Duty)	4120.68	3052.86
Gross Profit (GP)	383.62	357.72
(-) Interest	55.11	51.21
(-) Depreciation	184.71	140.47
(-) Adjustment on previous years items	5.32	2.37
Profit before Taxation (PBT)	138.48	163.67
(-) Provision for Taxation, Deferred Tax Adjustment and FBT	46.21	91.68
Profit after Tax (PAT)	92.27	71.99
(+) Balance in the P&L A/c b/f	2.29	3.76
(+) Transfer from Revaluation Reserve	-	0.09
(+) Adjustment of Revaluation Reserve with P&L appropriation A/c	10.19	-
PROFIT - for appropriation	104.75	75.84
Appropriation :		
Proposed Equity Dividend	29.21	25.04
Tax on Dividend	4.10	3.51
Transfer to General Reserve	70.00	45.00
Balance retained in P&L A/c	01.44	2.29
	104.75	75.84

DIVIDEND

Your Directors are pleased to recommend an enhanced Dividend of 35% (Rs.3.50 per share) for the Financial Year 2005-2006 as against 30% declared in the previous year. The total amount of Dividend proposed to be distributed is Rs.33.31 million (including dividend tax). The Dividend payout ratio for the year works out to 31.6%. Rs.70 million is proposed to transfer to General Reserve and the balance amount Rs.1.44 million is retained in the P&L A/c.

OPERATIONS

Your Company continued to be the leading OE supplier of Automotive Lighting Equipments in India. Your company already has six established plants in close vicinity of all the major vehicle manufacturers, the Company proposed to start a seventh state of the art manufacturing plant in the state of Uttaranchal taking into account that some major vehicle manufacturers are starting their operations there.

For the financial year 2005-06, the Company has achieved a sales turnover (net of excise) of Rs.4120.68 million registering a growth of 35% as against Rs.3052.86 million in the previous year. The Profit after Tax is Rs.92.27 million which is 28% up from the previous year figure Rs.71.99 million. Increase in the input costs due to escalating oil prices coupled with price reductions to customers continued to put pressure on the bottom line of the Company.

FIXED DEPOSITS

The company has not accepted any Fixed Deposits during the year.

DIRECTORS

Mr. Deepak Jain & Mr. Y. Muraga are retiring by rotation and being eligible they are proposed for re-appointment.

Mr. H. Kanazawa (Nominee of Stanley) resigned w.e.f. 26-05-06. The Board place on record its appreciation for the services provided to the Company.

Mr. A. Nakamura was appointed w.e.f. 26-05-06 as Director by the Board against the casual vacancy caused by the resignation of Mr. H. Kanazawa. As per section 262(2) of the Companies Act, 1956 he will continue to hold the office till the ensuing AGM. Mr. A. Nakamura is proposed for appointment as Director in the next AGM and for which the Company has received a notice from a member u/s 257 of the Companies Act, 1956 proposing his candidature for the office of Director.

The Board recommends the appointment of Mr. A. Nakamura.

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 :

- that in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- 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;
- 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;
- that the directors had prepared the Annual Accounts on a going concern basis.

AUDITORS

M/s S.R. Batliboi & Associates are proposed for re-appointment as Statutory Auditors of the Company from the conclusion of the ensuing AGM till the conclusion of the next AGM. 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.

The Auditors have not made any adverse remark in their Report except a minor point regarding the delay in remitting some statutory dues. The Company has decided to take care not to repeat such lapses in future.

OTHER INFORMATION

Disclosure of information regarding conservation of energy, R & D, Technology Absorption and Foreign Exchange earning and outgo etc. under Section 217(1) (e) of the Companies Act, 1956 and particulars of employees under Section 217 (2A) of the Companies Act, 1956 are annexed separately :



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MANAGEMENT DISCUSSION & ANALYSIS

Pursuant to Clause 49 of the Listing Agreement, Management Discussion & Analysis is annexed as part of this report separately.

CORPORATE GOVERNANCE

The report on Corporate Governance together with the Auditors' Certificate regarding the Compliance of Conditions of Corporate Governance annexed below forms part of this Annual Report.

ACKNOWLEDGEMENT

The Directors wish to place on record their sincere thanks to its highly valued customers, its principal collaborator M/s Stanley Electric Co.

Ltd., Japan, all other partner collaborators, all the shareholders, the Financial Institutions, Banks and 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 and on behalf of the Board of Directors

Place : New Delhi
Dated : July 28, 2006

D.K. JAIN
Chairman & Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

I. Information as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of the Board of Directors) Rules 1988 and forming part of Directors' Report for the year ended 31st March 2006.

A. Conservation of Energy :

Though the Company does not come under the category of power intensive unit, adequate measures have been taken for energy conservation and thereby to reduce energy cost.

B. Technology Absorption and Research & Development.

As a result of ongoing continual improvements the company has been absorbing and localizing the latest technology in production and process with the help of its collaborator M/s Stanley Electric Co. Ltd., Japan.

R & D of the Company engaged in the following areas :-

a) Product Technology

- Developing Tail Lamp with LED technology for two wheelers.
- Initiative for planning and absorbing new technology like projector lamp for two wheelers and four wheelers.

b) Process Technology

- Reactive hot melt application to make irreversible bond between lens and housing to make lamp completely leak proof.

- Plan for implementing Plasma Coating in June 2006 at Chakan-2 plant, Pune.
- Plan for PU Gluing machine at Chakan-2 plant, Pune for zero leakage defects.
- Plan for Anti Mist Coating.
- Plan for two shot two colour moulding machine.

Expenditure on R & D :

	Rs.
a. Recurring	18291596
b. Capital	265200
c. Total	18556796
d. Total R&D expenditure percentage to turnover	0.45%

C) Foreign Exchange Earning and Outgo :

This information is given in Notes on Accounts (Schedule 25) at Sl.No.13(c) & (d)

II. Information as per the Section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules 1975 & forming part of the Directors' Report for the year ended 31st March 2006.

A) Employed through out of the Financial Year under Review & were in receipt of remuneration for the financial year in aggregate not less than Rs 2,400,000/- per annum.

S. No.	Name of Employee	Age (years)	Qualification	Experience (years)	Date of Employment	Designation	Remuneration Received (Rs.)	Last Employment & position held
1.	Mr. D.K. Jain	64	B.A. MBA	44	12-12-81	Chairman & Managing Director	7,219,065	Globe Auto Industries, New Delhi - Partner

B) Employed for part of the year under review & were in receipt of remuneration at the rate not less than Rs 200,000/- p.m.

Nil

Note : 1. Nature of employment of Mr. D.K. Jain is contractual and he is related to Mr. Deepak Jain and Mr. Anmol Jain, Executive Directors.

2. Remuneration includes salary, allowances, medical reimbursement, contribution to P.F. & Perquisites.

MANAGEMENT DISCUSSION & ANALYSIS
a. Industry Overview

The domestic automobile industry sales grew by a robust 12.8 per cent in 2005-06 at 89,10,224 units against 78,97,629 units in 2004-05. The automobile industry in India continued to be one of the very few countries in the world to register a double-digit growth.

Growth in the domestic passenger car market however cooled off a bit in 2005-06. Car sales in the year ended March 31, 2006, stood at 8,82,094 units against 8,20,179 units in 2004-05, growing by a single digit 7.5 per cent on a high base year, but the outlook for the current year looks bullish following the eight per cent excise duty cut on small cars announced in the Budget.

The automotive industry also crossed a landmark in the year with total vehicle production in 2005-06 (including tractors) touching a new high of 10 million units.

The two-wheeler segment, including scooters and motorcycles, grew 13.6 per cent at 70,56,317 units against 62,09,765 units in 2004-05.

Growth in the commercial vehicles segment too seemed to slow down in 2005-06, growing 10.1 per cent at 3,50,683 against 3,18,430 units in the previous year.

Three-wheelers also rounded up the financial year on a double-digit growth as sales rose 17 per cent at 3,60,187 units against 3,07,862 units in 2004-05.

On the exports side, overseas sales grew 5.9 per cent compared to a high 28.2 per cent in 2004-05. Car exports in 2005-06 stood at 1,70,193 units against 1,60,670 units in 2004-05.

Coming to the risks & concerns, a healthy growth in the top line was experienced by several auto-component manufacturers but the bottom line continued to be under severe pressure. Global oil prices have reached record high levels that have further escalated the plastic raw material prices, our major input cost. Further, the Indian automotive market is very price sensitive and hence, there is a constant need to be price competitive in the market. This forces vehicle manufacturers to seek price reductions from the vendors. All these put pressure on the margins.

However, the current year looks to be very promising with the government taking various measures towards infrastructure development and promoting India as the global small-car manufacturing hub. These positive indicators together with the economic growth and growing purchasing power of individuals will help in attracting more investments towards capacity enhancement and new entrants in the Indian automotive arena. Continuing in this spirit, your company has already taken proactive measures towards capacity expansion, plant & process upgradation and shop floor improvements by adapting to TQM techniques in order to remain competitive & retain our market leadership in the coming times.

b. Segment Wise Performance

The Company is engaged only in one segment of products viz. manufacture of Auto Components, mainly Automotive Lighting Systems. The Company continued to perform well during the year as shown below :

Products	Turnover (Rs.in Million)	% increase over last year
Head Lamp Assembly	2377.97	37.6
Tail Lamp Assembly	904.80	28.0
Tools	118.25	12.9
Miscellaneous Items	719.66	40.1

All major two wheeler/four wheeler manufacturers procure goods as OE Fitments from us and these manufacturers consume around 89.29% of the turnover of the Company.

Customer Name	Value of Supply (Rs.in Million)	% of Total Turnover
Maruti Udyog Ltd.	1355.83	32.90
Tata Motors	518.63	12.59
Honda Sael	347.17	8.42
Hero Honda	318.60	7.73
Honda Motorcycles & Scooters	224.23	5.44
Mahindra & Mahindra	182.73	4.43
Ford India Ltd.	152.60	3.70
Other OEMs	579.26	14.06
Replacement Market	389.92	9.46
Exports	51.71	1.25

c. Internal Control Systems and their Adequacy

The company has adequate internal control system to ensure that all assets are secured and all transactions are made under proper authorization and they are properly accounted for. Internal Control System is supported by regular internal audit and review by the management.

The Audit Committee of the Board of Directors is supervising Internal Audit and Compliance functions. To strengthen the system and to have a better focus and control on the operations, the Company has undertaken the services of the outgoing statutory auditors for Internal Audit purpose.

d. Discussion on Financial Performance with reference to Operational Performance

The company posted another record high turnover of Rs.4120.68 million (net of excise duty), registering a healthy growth of 35% over the previous year. The company continued to retain its leadership position as the major supplier of automotive lighting equipment for most of the passenger cars, utility vehicles, commercial vehicles, tractors and two wheeler manufacturers in the country.

The sale of Head Lamp and Tail lamp achieved a figure of 4.84 million and 5.13 million units respectively during the FY-06 as against 4.26 million and 4.46 million units in the previous year registering a growth of 13.6% and 15% respectively.

The Raw Material Consumption continued to be on the higher side clocking 67.87% as against 64.54% of sales in the previous year. The increase in cost of plastic powder, bulbs and other components together with additional cost incurred due to the import of CKD parts for the supply to one of the customers have attributed to the increase in the consumption level.



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Company's ongoing cost control efforts on other variable and fixed expenses have enabled to offset the absolute increase in the expenditure during the year.

The Profit Before Tax (PBT) for the FY-06 is Rs.138.48 million which is 16% lower than the previous year figure Rs.163.67 million. One of the basic reasons for reduction in PBT is change in Policy of Booking Depreciation which resulted in additional provision of Depreciation by Rs.44.24 Million. However, the Profit After Tax (PAT) has increased from Rs.71.99 million in the previous year to Rs.92.27 million for the FY-06. In absolute terms, PAT has shown growth of 28.17% over previous year.

Company's secured loan liability reduced from Rs.391.21 million to Rs.339.22 million in the FY-06 and unsecured loan liability gone up from Rs.307.32 million to Rs.349.55 million.

The cash generated from operations before working capital changes is Rs.364.35 million as compared to the previous year figure of Rs.340.22 million.

e. Industrial Relations

During the year under review the Company maintained cordial relationship with the workmen. All units of the Company are treated as independent profit centers and wage agreement is entered into with the workers in each unit periodically for every three years.

f. Quality Assurance & Customer Satisfaction

The Company had undertaken fresh initiatives like 'Challenge 50' through the Annual Policy Deployment in the last year across all

plants focusing on improving customer quality & internal productivity by 50% in order to maintain its competitiveness and retain the market leadership through total customer satisfaction. Further, the company has a well defined quality management system which enables to maintain uniform quality of products & processes across all its locations.

During the FY-06, the Company has obtained ISO/TS 16949:2002 compliance certificate for the new manufacturing facility at Chakan, Pune. Dharuhera, Gurgaon and Chennai units of the company are already ISO/TS-16949 certified.

The TQM initiative as reported in the last year report, has also started bringing in positive results at Dharuhera Unit.

It is a matter of pride to mention that the Company's Quality Circle Activity bagged the excellent case study award at northern India level and national level from National Convention on Quality Circle (NCQC), an event organized by the Quality Circle Forum of India.

g. Environment, Health and Safety

For sustainable development and business growth, our focus and objectives are towards a clean environment at the work place and the surroundings. Attempts are made to reduce, reuse, recycle, for elimination of waste resulting in efficient use of available resources.

The Company makes all efforts to achieve and maintain world-class health and safety standards for all its employees. Every effort is made to develop, improve and sustain process for systematic elimination of health and safety hazards there by minimizing risks involved.



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CORPORATE GOVERNANCE REPORT

In line with the requirement for providing a "Report on Corporate Governance" as per revised clause 49 of the Listing Agreement with the Stock Exchanges, given hereinbelow is a Report on the Company's Corporate Governance norms.

1. COMPANY'S PHILOSOPHY :

Your Company believes in carrying out its activities in a true and fair manner towards maintaining transparency and accountability with the ultimate objective of satisfying its customers, enhancing its shareholders value and safeguarding interests of all the stakeholders. The Company remains firmly committed to this central value and endeavors to improve these values on an ongoing basis.

2. BOARD OF DIRECTORS :

As of the year ended 31st March, 2006, the Board had a strength of 10 Directors comprising six non-executive Directors, five of whom are independent Directors. Four, are in executive capacity. The composition of the Board for the Year ended 31st March, 2006 is given below:

Sl. No.	Name of the Directors	Category of Directorship	No. of Board Meetings attended	No. of Directorships in other Public Companies	No. of Committee Positions held in other Public companies		Last AGM Attended
					Chairman	Member	
1	Mr. D.K. Jain	Executive (CMD) Promoter	4	3	-	-	Yes
2	Mr. Deepak Jain	Executive Promoter	4	2	-	-	Yes
3	Mr. Anmol Jain	Executive Promoter	4	2	-	-	Yes
4	Mr. Y. Muraga	Executive (Stanley Nominee)	4	-	-	-	Yes
5	Mr. H. Kanazawa	Non-Executive (Stanley Nominee)	1	8	-	-	No
6	Mr. P.S. Dubey	Non-Executive Independent (IDBI Nominee)	4	1	-	-	No
7	Mr. A.P. Gandhi	Non-Executive Independent	3	8	1	1	Yes
8	Mr. Deep Kapuria	Non-Executive Independent	4	3	-	-	Yes
9	Mr. Gursaran Singh	Non-Executive Independent	3	4	-	-	No
10	Mr. Suman Jyoti Khaitan	Non-Executive Independent	2	6	1	2	No

Directors who relinquished office during the year ended 31st March, 2006.

Sl. No.	Name of the Directors	Category of Directors	No. of Board Meetings attended	No. of other Directorships	Committee Memberships	Committee Chairmanships	Last AGM Attended
1	Mr. Hans Das Maheshwari	Non-Executive Independent (IDBI Nominee)	-	-	-	-	No
2	Mr. Prem Nath Rai	Non-Executive Alternate Director to Mr. H. Kanazawa	-	1	-	-	No



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Board Meetings and Attendance

During the financial year ended 31st March, 2006, four meetings of Board of Directors were held. The intervening period between two Board Meetings was well within the maximum time gap of 4 months as prescribed under Corporate Governance norms. The details of Board Meetings held during the year are as under:-

S.No.	Date of Board Meeting	Board's Strength	No. of Directors present
1.	18-05-05	10	09
2.	28-07-05	10	07
3.	26-10-05	10	07
4.	30-01-06	10	10

Board's Processes

It has always been the Company's policy and practice that apart from matters requiring Board's approval by statute, all major decisions including quarterly results of the Company, financial restructuring, capital expenditure proposals, collaborations, material investment proposals in joint venture/promoted companies, sale and acquisition of material nature of assets, mortgages, guarantees, donations etc., are regularly placed before the Board. This is in addition to information with regard to actual operations, major litigation feed back reports, information on senior level appointments just below the Board level and minutes of all Committee Meetings.

The minimum information as required as per Code of Corporate Governance is being made available to the Board as and when applicable.

3. COMMITTEES OF THE BOARD

A. Audit Committee

The Audit Committee has been constituted as per Section 292A of the Companies Act, 1956 and the guidelines set out in the Listing Agreement with Stock Exchanges. The Audit Committee of the Company, inter-alia, provides assurance to the Board on the existence and adequacy of an effective internal control systems that ensures:-

- Efficiency and effectiveness of operations.
- Safeguarding of Assets and adequacy of provisions for all liabilities.
- Reliability of all financial and other Management information and adequacy of disclosures.
- Compliance with all relevant statutes.

The Committee has powers as envisaged under Clause 49(II) of the Listing Agreement and as specified by the Board of Directors of the Company and includes the following Terms of References:-

(a) Powers of Audit Committee

Audit Committee shall have following Powers:-

- a). to investigate any activity within its terms of reference;
- b). to seek any information from any employee.
- c). to obtain outside professional legal advice.
- d). to secure attendance of outsiders with relevant expertise, if considered necessary.

(b) Role of Audit Committee

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fee.
3. Approval of payment to statutory Auditors for any other services rendered by the Statutory Auditors.
4. Reviewing, with management, the annual financial statements before submission to the board for approval with particular reference to:
 - a. Matters required to be included in the Directors' Responsibility statement to be included in the Board's Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - b. Changes, if any, in accounting policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of judgement by management.
 - d. Significant adjustments made in the financial statements arising out of audit findings



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- e. Compliance with Listing and other legal requirements relating to financial statements.
 - f. Disclosure of any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of company at large.
 - g. Qualifications in draft audit report.
5. Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
 6. Reviewing with the management, performance of the statutory and internal auditors, adequacy of internal control systems.
 7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
 8. Discussion with internal auditors on any significant findings and follow-up thereon.
 9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the Board.
 10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
 11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
 12. To Review the functioning of Whistle Blower mechanism, in case the same is existing.
 13. Carrying out any other function, which may be specified as a role of the Audit Committee under amendments, if any, from time to time as per the listing agreement, Companies Act, 1956, and other statutes.

(c) Review of information by Audit Committee

The Audit Committee shall mandatorily review the following information:-

1. Management discussion and analysis of financial conditions and results of operations;
2. Statement of significant related party transaction (as defined above), as submitted by management;
3. Management letters/ letters of internal control weakness issued by the statutory auditors;
4. Internal Audit Reports relating to internal control weakness; and
5. The appointment, removal and terms of remuneration of the chief internal Auditors shall be subject to review by the Audit Committee.

(d) Any other matter with the specific permission of the Board.

Composition and Attendance

The Audit Committee comprises of three Members, namely Mr. Deep Kapuria (Chairman), Mr.A.P. Gandhi & Mr. Gursaran Singh.

Four Meetings of the Audit Committee were held during the year 2005-06. Attendance at the Meetings is as under:-

Directors	No. of Meetings attended
1. Mr. Deep Kapuria	4
2. Mr. A.P. Gandhi	3
3. Mr. Gursaran Singh	3

Statutory Auditors, Chief Financial Officer, Head of Internal Audit are permanent invitees to the Audit Committee Meetings. The Company Secretary acts as the Secretary to the Audit Committee.

The Chairman of the Audit Committee attended the last Annual General Meeting held on 29-08-05.

B. Remuneration Committee

The Company has a Remuneration Committee to review and recommend payment of annual salaries, commission, service agreements and other employment conditions of the Executive Directors. The committee fixes the remuneration after taking into consideration remuneration practices followed by Companies of similar size and standing in the industry. The Committee periodically reviews and recommends suitable revision in the remuneration package of Executive Directors to the Board.

The Remuneration Committee comprises of three Directors as its members. All the members of the committee are non-executive Directors and have sound knowledge of management practices.