

*Thriving on
The Challenge Of Change*

Annual
Report
2007



LUMAX
AUTOMOTIVE PARTS

Lumax Industries Limited

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Change is inevitable for sustained growth. The question is, do you create change or merely respond to it?

At LUMAX, our quest since inception has been mastering the dynamics of change leadership. Adapting, upgrading & innovating in tune with the customer requirements, market dynamics and technology trends. Ensuring always that the 'LUMAX' brand continues to be synonymous with top quality.

As the leading OEM supplier in the Auto Lighting segment we believe that Excellence is not a destination, but a journey on which we continue to surge ahead.





26th Annual Report 2007

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ANNUAL GENERAL MEETING ON 23RD JULY 2007

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. A.P. Gandhi	(Independent Director)	
Mr. Deep Kapuria	(Independent Director)	
Mr. Gursaran Singh	(Independent Director)	
Mr. Suman Jyoti Khaitan	(Independent Director)	
Mr. M.C. Gupta	(Independent Director)	

GROUP FINANCE HEAD

Mr. Naval Khanna

VICE PRESIDENT (LEGAL) & COMPANY SECRETARY

Mr. B.S. Bhadauriya

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
IDBI Bank

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

REGISTERED & CORPORATE OFFICE

B-85-86, Mayapuri Industrial Area, Phase – I,
New Delhi – 110064
E-mail : lumaxshare@lumaxmail.com

PLANT LOCATIONS

- Plot No.16, Sector-18, Maruti Complex, Gurgaon -122015 (Haryana)
- Plot No.6, Industrial Area, Dharuhera, District Rewari 122106 (Haryana)
- D2-43/2, M.I.D.C. Industrial Area, Chinchwad, Pune-411019 (Maharashtra)
- Plot No.37, WMDC, Kharabwadi, Ambethan Road, Chakan, Tel. Khed, District Pune-410501 (Maharashtra)
- 608, Chakan Talegaon Road, Mahalunge Ingle, Chakan, District Pune-410501 (Maharashtra)
- 245, G.S.T. Road, Oorapakam, Kanchipuram-603202 (Tamil Nadu)
- Warehouse at Plot No.C-15, Site-IV, Greater Noida, District Gautam Budh Nagar, Uttar Pradesh

Lumax Industries Limited

DIRECTORS' REPORT

TO THE MEMBERS,

Your Directors are delighted in presenting the 26th Annual Report on the business and operations together with Audited Balance Sheet and Profit & Loss A/c of your Company for the year ended 31st March, 2007.

FINANCIAL RESULTS	2006-2007	2005-2006
		(Rs. in million)
Sales (Excluding Excise Duty)	5,353.84	4,120.68
Gross Profit (GP)	504.45	383.62
(-) Finance Charges	57.75	55.11
(-) Depreciation	165.39	184.71
(-) Adjustment of previous year(s) items	1.21	5.32
Profit Before Taxation (PBT)	280.10	138.48
(-) Provision for Taxation, Deferred Tax Adjustment and FBT	97.26	46.21
Profit After Tax (PAT)	182.84	92.27
(+) Balance in the P&L A/c b/f	1.44	2.29
(+) Transfer from Revaluation Reserve	-	-
(+) Adjustment of Revaluation Reserve with P&L Appropriation A/c	-	10.19
PROFIT - for Appropriation	184.28	104.75
Appropriation :		
Proposed Equity Dividend	42.07	29.21
Tax on Dividend	7.15	4.10
Transfer to General Reserve	80.00	70.00
Balance retained in P&L A/c	55.06	1.44
	184.27	104.75

DIVIDEND

Your Directors are pleased to recommend an enhanced Dividend of 45% (Rs.4.50 per share) for the Financial Year 2006-2007 as against 35% Dividend declared in the previous year. The total amount of Dividend proposed to be distributed is Rs.49.22 million (including Dividend Tax). The Dividend payout ratio for the year works out to 26.70%. An amount of Rs.80 million is proposed to be transferred to General Reserve and the balance amount of Rs.55.06 million is retained in the Profit & Loss account.

FINANCIAL PERFORMANCE

For the Financial Year 2006-2007, your Company has achieved a sales turnover (net of excise) of Rs.5,353.84 million as against Rs.4,120.68 million in the previous year, showing an impressive growth of around 30%. In comparison to the previous year the Profit After Tax (PAT) has increased from Rs.92.27 million to Rs.182.84 million having a jump of 98% in the profit after tax of the Company as compared to last Financial Year. The Earnings per Share of your Company have grown by 98% from Rs.11.05 to Rs.21.90.

The significant growth in net profit is on account of operational efficiency and constant focus on cost reduction. Your Company has developed economies of scale in the business and is confident of achieving significantly higher margins in future. In view of the burgeoning growth of the Auto Sector and high priority accorded to the Automotive Sector by the Indian Government, the demand for excellent quality of automotive lighting products is increasing and will grow substantially in future.

BUSINESS OVERVIEW AND OPERATIONS

India is emerging as one of the most attractive destination for global players of Auto Industry. An excellent growth in demand is predicted for the Auto Component Industry. The number of automobiles hitting the Indian roads is on the rise with over one



crore vehicles being added in FY-2007 alone. The Indian automobile market has been growing at a rapid rate due to booming Indian economy. Global Original Equipment Manufacturers (OEMs) and Tier 1 suppliers in the automotive industry are increasingly looking at India as a Low-Cost Country (LCC) for outsourcing. In this backdrop, most global car makers are setting up plants in India to market and manufacture their products.

Your Company continues to maintain its leadership position as the most experienced automotive lighting solutions company in South Asia, and supplies Lighting products to almost all OEMs in India. Your Company provides Lighting Solutions to auto majors such as Maruti Udyog Ltd, Ford India Ltd, Tata Motors, Mahindra & Mahindra, Hero Honda Motor Ltd, Honda Siel, Honda Scooters (HMSI), Yamaha Motors, Bajaj Auto and Piaggio India.

In order to serve the customers in an efficient manner, your Company has been setting up its new plants in the vicinity of all the major OEMs from time to time. Lumax has been invited by various OEMs to setup plant in the vendor Parks close to where these OEMs are setting up their manufacturing facilities and Lumax is privileged to be associated with these OEMs as one of their preferred Vendors. Lumax's two new plants are coming up in Pantnagar-Uttarakhand and Singur-West Bengal respectively for supplies to TATA Motors and one more Plant in Haridwar-Uttarakhand for supply to Hero Honda Motors Ltd.

Your Board of Directors are confident that such strong partnership with various established OEMs will provide huge growth opportunities for Lumax in future.

AWARDS AND OTHER RECOGNITIONS

We are happy and feel privileged to report some of the awards and recognitions, that we have received during the Financial Year ended March 31, 2007:

- Certificate from HSCI Supplier Club for 6th QC Circle Competition in March'2005.
- Award for Excellent Case Study in QCFI Delhi Chapter QC Circle Competition 2005.
- Award for Excellent Case Study in NCQC 2005.
- Direct On Line Supplier Award from Hero Honda Motors Ltd.
- New Model Development Award from Honda Motorcycle & Scooter for 2005-06.
- Award for Cost Reduction through VA/VE by Maruti Udyog Limited for 2004-05.
- Award for Kaizen by Maruti Udyog Limited for 2004-05.
- Toyota Kirloskar Motor Award for achieving Cost Targets for the year 2005.
- Toyota Kirloskar Motor Award for achieving Quality Targets for the year 2005.
- Award for Excellent Case Study in QCFI Delhi Chapter QC Circle Competition 2006.

PRIVATE PLACEMENT OF EQUITY SHARES TO STANLEY ELECTRIC CO. LTD, JAPAN.

The Company has made a Preferential Allotment of 1,000,000 Equity Shares of Rs. 10/- each on May 8, 2007 to Stanley Electric Co. Ltd, Japan (Stanley) at a price of Rs.540.03 per share in accordance with SEBI (Disclosure and Investor Protection) Guidelines, 2000. Pursuant to the Preferential Allotment, Stanley has made a Public Announcement on May 14, 2007 in terms of Regulation 14 of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 for acquiring 20% Shares at a price of Rs.540.03 per Share from the existing Shareholders of the Company, excluding Promoters.

Your Company enjoys over two decades of fruitful partnership with Stanley- Japan. This long association with Stanley is helping the Company to increase its business with Japanese OEMs every year which at present accounts for about 55% of the annual turnover of your Company. The proposed increase in Equity participation by Stanley will bring its added commitment to increase flow of latest technology, bringing best manufacturing and quality practices to Lumax which will create value for all stakeholders.

DIRECTORS

Mr. Anmol Jain, Mr. A.P. Gandhi and Mr. Deep Kapuria, Directors are retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr. P. S. Dubey, nominee of IDBI, ceased to be Director of the Company w.e.f. 26 April, 2007, after withdrawal of his nomination by IDBI. The Board places on record its deep appreciation for the invaluable contribution and advise rendered by him to the Board during his tenure. The Board of Directors has appointed Mr. M.C.Gupta, as an Additional Director on the Board of the Company at their meeting held on 19 June, 2007. Mr. M.C.Gupta is a retired IAS, M.A in English and Diploma in Public Administration from the University of Manchester. He has served on various important and strategic positions in the Government of India and presently associated with industry in his capacity as member on the Board of Directors of various companies.

Lumax Industries Limited

In accordance with the Articles of Association of the Company and the Companies Act, 1956, Mr. M.C. Gupta will hold office till the ensuing Annual General Meeting. The Company has received a Notice in respect of Mr. M.C. Gupta, from a member under Section 257 of the Companies Act, 1956 proposing his appointment as Director of the Company liable to retire by rotation.

Mr. Yasuhiro Muraga, Executive Director (nominee of Stanley Electric Co. Ltd, Japan), whose term will be expiring on 26 July, 2007, is being proposed for re-appointment for another period of one year, subject to the approval of members in the ensuing Annual General Meeting on revised terms of appointment.

Keeping in view the increase in operations of the Company and also various expansion plans under implementation, requiring the Managing Director and Whole-time Directors to take up additional responsibilities, in the respective areas of operations, to meet the new challenges in the fast changing business environment and growing competition, the Remuneration Committee has proposed revision in the existing remuneration of Mr.D.K.Jain, Chairman & Managing Director, Mr. Deepak Jain, Executive Director and Mr. Anmol Jain, Executive Director for the remaining period of their respective appointment. Accordingly, the Board has proposed to revise the remuneration of the Directors as stated above, subject to the approval of the members.

DIRECTORS RESPONSIBILITY STATEMENT

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

- (i) that in the preparation of the Annual Accounts for the Financial Year ended 31st March, 2007, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the Annual Accounts on a "going concern" basis.

FIXED DEPOSITS

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

AUDITORS

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

The Auditors have not made any adverse remark in their Report except about slight delay in remitting some statutory dues in few cases, which have since been paid.

MANAGEMENT DISCUSSION & ANALYSIS

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

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 as **Annexure - B & C** respectively.

CORPORATE GOVERNANCE

The report on Corporate Governance together with the Auditor's Certificate regarding the Compliance of conditions of Corporate Governance is annexed and forms part of this Annual Report as **Annexure - D**



ACKNOWLEDGEMENT

The Directors wish to place on record their sincere thanks to all its highly valued customers, its Technical and Financial Collaborator- M/s Stanley Electric Co. Ltd, Japan, all other business partners, all the Shareholders, Financial Institutions, Banks, Vendors and various Government agencies for their continued support and patronage.

The Board would also like to acknowledge the co-operation & commitment rendered by all the associates & employees of the Company.

For and on behalf of the Board of Directors

D.K. JAIN

Chairman & Managing Director

Place : Gurgaon

Dated : 19th June, 2007

Annexure - A

MANAGEMENT DISCUSSION & ANALYSIS

a) INDUSTRY STRUCTURE, DEVELOPMENTS AND OUTLOOK

On the canvas of the Indian Economy, Auto Industry occupies a prominent place. Due to its deep forward and backward linkages with several key segments of the economy, Automotive Industry has a strong multiplier effect and is capable of being the driver of economic growth. The Automotive Sector in India is growing at around 18 per cent per annum.

AUTO COMPONENT INDUSTRY

Surge in Automobile Industry since the nineties has led to robust growth of the Auto Component sector in the country. The Auto Component Industry has emerged as one of India's fastest growing manufacturing sectors and a globally competitive one. Indian Auto Component Industry has seen major growth with the arrival of world vehicle manufacturers from Japan, Korea, US and Europe. Today, India is emerging as one of the key auto components center in Asia and is expected to play a significant role in the global automotive supply chain in the near future.

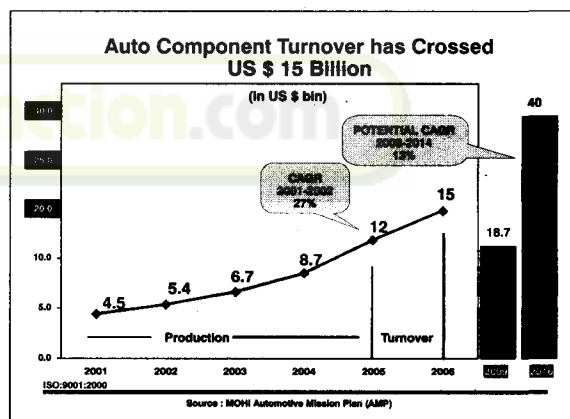
The Auto Components Industry in India is dominated by around 500 key players, which contribute more than 85 percent of India's production. India has also emerged as an outsourcing hub for auto parts for international companies such as Ford, General Motors, Daimler Chrysler, Fiat, Volkswagen and Toyota.

The present size of the Auto Components Industry in India is estimated at US \$15 Billion. It has been growing at a CAGR 27% p.a. for last five years which is highest in the Industrial Sector.

The Government has notified Draft Automotive Mission Plan 2006-2016 (AMP) for the development of the Indian Automotive Industry in to a Global Hub. The total size of the Auto Component industry in India is expected to become US\$ 40-45 billion by 2016. To achieve the above mission, Indian automotive industry would require an incremental investment of US\$ 35-40 billion (Rs.160,000 – 180,000 Crores) by 2016.

b) OPPORTUNITIES & THREATS

India holds huge potential in the automobile sector including the automobile component sector owing to its technological, cost and manpower advantage. Further, India has a well-developed, globally competitive Auto Ancillary Industry and established automobile testing and R&D centers. The country enjoys natural advantage and is among the lowest cost producers of steel in the world. The current scenario offers huge growth opportunities for Auto Component Industry in general and for your Company in particular.



Lumax Industries Limited

The Indian Auto Component Industry has major challenges from China and Thailand. Indian Auto Component Sector faces around 18%-20% of Cost disadvantage as compared to China & Thailand due to higher taxation, power cost, raw material costs and infrastructure cost. The prime concern of the Industry is to maintain a 12.5% of Customs Duty to protect the home industry from low cost imports from other countries.

Your Company proposes to address these threats and convert the opportunities into growth of the Company by cost reduction measures, developing economies of scale, process improvements, quality up-gradations, increase market share and by diversifying existing customer base with the addition of new strategic customers and enhancing the existing relationship.

In addition, all plants of the Company have been set up in the vicinity of the manufacturing locations of all major OEMs which enables your Company to serve its customers in an efficient manner. All these factors strengthen your Company to remain competitive in the fast growing Auto Component Industry.

c) PRODUCT 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	3116.27	31.04
Tail Lamp Assembly	1221.76	35.03
Tools	205.85	74.08
Miscellaneous Items	809.96	12.55

d) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Internal Control procedures of the Company are designed to meet the needs of the organisation's size and complexity of operations. These procedures ensure compliance with various policies, practices and statutes. Internal Audit is carried out of all functional areas throughout the year.

The Audit Committee is regularly reviewing the adequacy and effectiveness of the Internal Audit function.

In addition, the Company has successfully completed implementation of ERP System – System Analysis & Processing (SAP) during the year under review and the same has been operational from 1st April 2007. Now all the operations of the Company are inter-connected and the SAP-ERP has re-positioned your Company to meet vibrant customer expectations in a global competitive environment.

e) RISK AND CONCERN

The Company has carried out a detailed study on Enterprise Risk Management of the organization and has developed a comprehensive risk identification framework for the organization during the current year with the expert advice and guidance of ERNST & YOUNG. Under the frame work various risk events have been identified for various functions and mitigation plans have been put in place.

In order to promote a common risk language, improved understanding of risk and the ability to consolidate risk information across all units, risk identification framework has been developed which will continue to be updated with the specific risks identified through various risks assessments from time to time. The Board of Directors through its Committees and Executive Management, monitor plans for improving risk management through final completion, Benchmarking, Education, and Training.

f) DISCUSSION ON FINANCIAL PERFORMANCE WITH REFERENCE TO OPERATIONAL PERFORMANCE

The Company posted another record high turnover of Rs.5353.84 million (net of excise duty), registering a healthy growth of about 30% 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.

The sale of Head Lamp and Tail Lamp achieved a figure of Rs.3116.27 million and Rs.1221.76 million respectively during FY-07 as against Rs.2377.97 million and Rs.904.79 million in the previous year registering a growth of 31% and 35% respectively.

The Raw Material Consumption for the year ending March 31, 2007 is Rs.2896.30 as compared to Rs.2677.94 in the previous year. The Raw Material Consumption in the year ending on March 31, 2007 is 54.10% of the turnover of the Company as against 64.99% of turnover in the previous year. The cash generated from operations before working capital changes is Rs.501.02 million as compared to the previous year figure of Rs.364.35 million.



g) HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The Company has given emphasis to upgrading the skills of its technical and marketing personnel. This is in keeping with its policy of enhancing the individual's growth potential within the framework of corporate goals. During the year the Company nominated a technical team of its employees for training in Japan under the Association of Overseas Technical Scholarship Programme (AOTS-Japan). Under this programme, the Lumax team received six month technical training in Japan, which has helped in upgradation of technical skills of our employees.

The Directors acknowledge and appreciate the contribution of all employees towards the performance of the Company.

During the year under review the Company maintained cordial relationship with all employees.

h) 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 waste, resulting in efficient use of available resources.

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

CAUTIONARY STATEMENT

The above mentioned statements are only "forward looking statements" based on certain assumptions/expectations. The Company's actual performance could differ materially from those expressed/projected depending upon changes in various factors. The Company does not assume any responsibility to any change(s) in "forward looking statements", on the basis of subsequent development, information or events etc.

ANNEXURE - B

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 2007.

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. The Company has in-house power generation plant at Dharuhera, during the year under review the Company has started using Furnaise Oil instead of High Speed Diesel, thereby reducing the per unit cost of electricity from Rs.9.50 to Rs.6.00. The Company is also planning to implement the same change of using Furnaise Oil instead of High Speed Diesel at its Pune Unit.

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 technical and financial collaborator M/s Stanley Electric Co. Ltd., Japan.

Technology, Absorption, Adaptation and Innovation

1. *Efforts, in brief, made towards technology absorption, adaptation and innovation.*
 - a. Continuous design reviews at Stanley Electric Co. Ltd, in Japan as an activity of technology absorption.
 - b. Adopted the LED based Tail Lamp technology from technological partner.
 - c. Indigenously developed a Fog Lamp for which the Company had already received the Design Registration in India under the Designs Act, 2000.
 - d. New technology development related to Head Lamps such as AFS, Projector Systems and LED are under discussion.
2. *Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.*
 - a. Based on the Technology absorbed during various design reviews in collaboration with the collaborator Stanley Electric Co. Ltd, Japan we were able to propose cost reduction ways to our customers.
 - b. New Lamps under development based on LED based Tail Lamp technology for new customers.
 - c. There are various parts which the Company was importing earlier and are now being manufactured locally, because of the technological adoption process.