

EXCEEDING

Quality Expectations

ANNUAL REPORT 2013-2014



Lumax Industries Limited



Chairman's Message

Dear Shareholder Friends,

India's economic growth has sharply slowed down in the last financial year, reflecting global developments and domestic constraints, while inflation continues to be high. Led by falling infrastructure and corporate investment, the slowdown has generalized to other sectors of the economy as well. However, positive policy steps taken by the Government along with improving external conditions have improved market sentiments. The current account deficit, after reaching a record high in FY 2012-13, is narrowing fast, and capital inflows have picked up again. The Indian Economic Growth is projected at 5.4% in FY 2014-15 by the International Monetary Fund.

Friends today's world is filled with fiscal and economic uncertainty – that breeds extreme caution, disrupts thoughtful planning, and is generally bad for business. And while this is true in India, it's also the case in many other markets. However, the new Government at the Centre with a clear majority has revived hope for resolution of policy bottlenecks, accelerating pending reforms, improvement in private sector sentiments by sending a strong signal and for laying the foundation for India's entry into a phase of healthier growth.

The year 2013-14 was undoubtedly one of the most challenging ones for the automobile industry. Both, vehicle and auto component sales saw a decline during the fiscal year that ended in March, 2014. Flagging vehicle sales, high capital costs, high interest rates, currency fluctuations and slowing down of the investment in manufacturing, have adversely impacted the growth of the auto component industry. The overall domestic automobile sales grew marginally by 3.53% because of growth of 7.31% in Scooters and motorcycles sales, while commercial vehicle are the most adversely affected, which de-grew by (-) 20.23%, passenger vehicle and three wheelers also de-grew by (-) 6.05% and (-) 10.90% respectively.

Although the Indian Automobile Industry is going through one of the most challenging phases ever, the Society of Indian Automobile Manufacturers (SIAM) has expressed its hope of slight recovery in the current fiscal year in line with the expectation of an overall economic recovery.

In the above backdrop, your Company registered a growth of 4.34%, which is in line with the industry growth. However, bottom line came under tremendous pressure due to depreciation and increased operational cost of newly setup plants in previous years, which are not yet operating on their full capacity due to slowdown in the Industry. The profit for the year after tax stood at Rs. 76.99 Million as compared to Rs. 135.85 Million during the previous year.

Notwithstanding the challenges, I firmly believe that the industry's long-term prospects remain bright. Going forward, growth will be driven mainly by healthy economic growth, changing consumer preferences & rising aspirations, increased spending on infrastructure development, thrust on rural economy and new product launches, among others.

Friends, your Company's CSR programs focuses on improving the well-being of people and communities through its Education and Healthcare initiatives. Towards this direction, the Company has adopted yet another branch of a School in Dundahera, Gurgaon, which is dedicated to the children from the economically weaker section along with supporting the existing 3 schools. To make people aware about the benefits of early screening and make a healthy, prosperous and cancer free society, your Company had joined the Punjab Cancer Screening Drive, the biggest ever such drive in collaboration with the Max Healthcare and Government of Punjab.

In the end, I would like to express my sincere appreciation to all the employees of Lumax for their contribution and support. I also greatly appreciate the continued confidence of the shareholders in the Company. We will continue to work with as much commitment and dedication as before in order to face these challenging times, for the growth of the Company and creating enhanced value for our customers and shareholders.

D. K. Jain
Group Chairman

Lumax Industries Limited

BOARD OF DIRECTORS

Mr. D.K. Jain	(Non-Executive Chairman)	
Mr. Deepak Jain	(Managing Director)	
Mr. Anmol Jain	(Senior Executive Director)	
Mr. Eiichi Hirooka	(Senior Executive Director)	- Stanley Nominee
Mr. Norihisa Sato	(Executive Director)	- Stanley Nominee
Mr. Toru Tanabe	(Non- Executive Director)	- Stanley Nominee
Mr. A.P. Gandhi	(Independent Director)	
Mr. Rattan Kapur	(Independent Director)	
Mr. Gursaran Singh	(Independent Director)	
Mr. Suman Jyoti Khaitan	(Independent Director)	
Mr. M.C. Gupta	(Independent Director)	
Mr. Dhiraj Dhar Gupta	(Independent Director)	

GROUP FINANCE HEAD

Mr. Naval Khanna

VICE PRESIDENT (LEGAL) & COMPANY SECRETARY

Mr. B.S. Bhadauriya

AUDITORS

M/s S.R. Batliboi & Co. LLP
Chartered Accountants,
Gurgaon.

PRINCIPAL BANKERS

Bank of Maharashtra
Central Bank of India
Citi Bank N.A.
HDFC Bank Ltd.
HSBC Bank
ICICI Bank Ltd.

REGISTRAR & SHARE TRANSFER AGENT

M/s Karvy Computershare Pvt. Ltd.
Plot No.17-24,Vittal Rao Nagar
Madhapur,Hyderabad-500081
E-mail : einward.ris@karvy.com

REGISTERED OFFICE

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

IDBI Bank Ltd.
Societe Generale
Standard Chartered Bank
State Bank of India
Syndicate Bank
Yes Bank Limited

WORKS

- 1) Plot No.16, Sector-18, Maruti Complex, Gurgaon, Haryana.
- 2) Plot No.6, Industrial Area, Dharuhera, District Rewari, Haryana.
- 3) Plot No.195-195A, Sector 4, Phase-II, Bawal, District Rewari, Haryana.
- 4) Plot No. 51, Sector 11, IIE, Pant Nagar, District Udham Singh Nagar, Uttarakhand.
- 5) Plot No. 5, Industrial Park - II, Village Salempur, Mehdood, Haridwar, Uttarakhand.
- 6) D2-43/2, M.I.D.C. Industrial Area, Chinchwad, Pune, Maharashtra.
- 7) 608-609, Chakan Talegaon Road, Mahalunge Ingle, Chakan, Pune, Maharashtra.
- 8) Plot No. D-1, Vendors Park, Sanand, District Ahmedabad, Gujarat.
- 9) Plot No. 69, Bidadi Industrial Area, 2nd Phase, Bangalore, Karnataka.

BOARD OF DIRECTORS



Mr. D.K.Jain



Mr. Deepak Jain



Mr. Anmol Jain



Mr. Eiichi Hirooka



Mr. Norihisa Sato



Mr. Toru Tanabe



Mr. A.P.Gandhi



Mr. Rattan Kapur



Mr. Gursaran Singh



Mr. Suman Jyoti Khaitan



Mr. M.C.Gupta



Mr. Dhiraj Dhar Gupta

33rd

Annual Report

2013-2014

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ANNUAL GENERAL MEETING ON FRIDAY, AUGUST 22, 2014

DIRECTORS' REPORT

TO THE MEMBERS,

Your Directors are pleased to present the 33rd Annual Report on the business and operations together with Audited Balance Sheet and Profit & Loss Account of your Company for the year ended March 31, 2014.

FINANCIAL RESULTS

Your Company's performance during the year as compared with the previous year is summarized below:

Rupees in Million

Particulars	2013-14	2012-13
Net Sales	11166.98	10702.06
EBITDA	578.23	657.63
Financial Expenses	174.11	185.73
Depreciation/Amortisation/Impairment Loss	366.21	316.27
Profit Before Tax (PBT)	37.91	155.63
Provision for Tax	(39.08)	19.78
Profit After Tax (PAT)	76.99	135.85
Balance of Profit brought forward	268.25	195.44
Balance Available for Appropriation	345.24	331.29
Appropriations		
Dividend	32.72	42.06
Corporate Dividend Tax	5.56	7.15
Transfer to General Reserve	7.70	13.83
Balance Carried to Balance Sheet	299.26	268.25
	345.24	331.29
Dividend (%)	35	45
Basic and Diluted Earning Per Share (EPS)(Rs.)	8.24	14.53

DIVIDEND

Keeping in view of the philosophy of the Company to reward its shareholders and to continue the tradition of recommending dividend for the last 29 years, the Board of Directors are pleased to recommend a Dividend of 35% (Rs.3.50/- per Equity Share) for the Financial Year 2013-14 (Rs.4.50/- per share in the previous year). The total amount of Dividend proposed to be distributed aggregates to Rs. 38.28 Million (including Dividend Tax). The Dividend payout ratio comes to 49.72%.

A sum of Rs. 7.70 Million has been transferred to the General Reserve of the Company. This reaffirms the inherent financial strength of your Company.

BUSINESS PERFORMANCE

The Indian automobile industry has witnessed a period of sluggish demand for almost three consecutive years with signs of recovery still appearing distant. As auto component manufacturers derive over 60% of their revenues from supplies to the domestic auto Original Equipment Manufacturers (OEMs), the ongoing weakness in demand for new vehicles has accordingly had an adverse impact on revenue growth of suppliers. Amongst segments, the Commercial Vehicle (CV) segment has been the worst impacted. The Passenger Vehicle (PV) segment had recorded positive volume growth (although in low single digits) in 2011-12 and 2012-13, but growth turned negative (-6.05% YoY) in 2013-14. Over the medium term, the auto components industry's revenues are expected to grow at a relatively faster pace than the OEM segment riding on several factors including auto OEMs' growing thrust on localization, auto suppliers' efforts to expand business in new geographies, the strong upside potential to replacement market demand and increasing sophistication of vehicles shoring up part prices.¹

¹ ICRA report on Indian Auto Component Industry – January, 2014

During the year under review, the Indian Automobile Industry recorded a production growth of 4% as compared to 1.20% of the corresponding period last year. The industry produced around 21.48 Million vehicles of which share of two wheelers were 79%, passenger vehicles - 14%, three wheelers – 4% and commercial vehicles - 3%.²

In this backdrop, during the year under review, your Company recorded a sales turnover of Rs. 11166.98 Million registering a growth of 4.34%, which is in line with the industry growth. The profit for the year after tax stood at Rs. 76.99 Million as compared to Rs. 135.85 Million during the previous year.

CAPACITY EXPANSION / MODERNISATION OF FACILITIES

During the year under review, the Company has made investment to the tune of Rs. 214 million towards up-gradation of its Research and Development facilities, modernization of its existing manufacturing facilities including Dharuhera and Bangalore plants.

A detailed discussion on the business performance and future outlook is provided in the Chapter on Management Discussion & Analysis Report (MDA).

QUALITY INITIATIVES

Total Productive Maintenance (TPM) aims to create a culture and environment, which constantly tries to maximize the effectiveness of the entire production system by using a hands-on approach to build a "Zero accident, Zero defect & Zero breakdown" system. It is designed to pre-empt losses of all types throughout the life cycle of the production system which includes development, sales, production as well as administration. It involves at every level of the organization, from top management to front-line employees. TPM is the only way to keep customers, employees and stakeholders happy and contented at the same time. The Bawal, Dharuhera, Panthnagar and Chakan Plants have successfully launched TPM Kick-off ceremony.

RECOGNITION AND AWARDS

Your company considers continuous improvement and implementing appropriate quality management systems and processes to enable it to deliver the highest practicable quality products. Your company also recognises the importance of monitoring and reviewing of quality management systems. As a result of which the Company has received the following awards and recognitions from Customers and other Agencies during the year under review:

- ❖ Award for Outstanding Support on Development & Completion of Etios Project from Toyota Kirloskar Motor Private Limited.
- ❖ Certificate of appreciation for Continuous Improvement in the Quality issues from Tata Motors Limited.
- ❖ Gold trophy in Quality Circle Competition organised by Quality Circle Forum of India.
- ❖ Certificate of participation in Direct Material Cost Reduction Initiative from John Deere India Private Limited.
- ❖ Shield for Quality improvement – Vendor Upgradation from Maruti Suzuki India Limited.
- ❖ Shield for Tier-2 Upgradation from Maruti Suzuki India Limited.

DIRECTORS

In accordance with the Articles of Association of the Company and the Companies Act, 2013, Mr. Eiichi Hirooka, Director is retiring by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

During the year under review, the following changes were made in the Management structure of the Company, with the view to strengthen professional management and provide robust management structure for the Company's growth in the future :

- i) Mr. D.K. Jain, Chairman & Managing Director has stepped down from the position of Managing Director and now functioning as Non-Executive Chairman of the Company.
- ii) Mr. Deepak Jain has been elevated to the position of Managing Director of the Company.

We thank the shareholders for their support in confirming the above change in management structure of the Company vide Postal Ballot on October 22, 2013.

Stanley Electric Co. Ltd. (Stanley - Technical & Financial Collaborator) had withdrawn the nomination of Mr. Makio Natsusaka, Non-Executive Director and Mr. Toshio Masuda, Executive Director from the Board of the Company. Consequently, Mr. Makio Natsusaka and Mr. Toshio Masuda resigned from the Board of the Company w.e.f. August 6, 2013 and October 28, 2013 respectively. The Board of Directors places on record its appreciation for the valuable services rendered by them during their tenure as Director.

² Society of Indian Automobiles Manufacturers (SIAM)

Stanley - Japan nominated Mr. Shigeki Muto and Mr. Norihisa Sato in place of Mr. Makio Natsusaka and Mr. Toshio Masuda. Pursuant to their nomination, the Board of Directors have appointed Mr. Shigeki Muto, as additional Director w.e.f. August 6, 2013 and and Mr. Norihisa Sato as additional director as well as Executive director w.e.f. October 28, 2013, for the time being, on the Board of the Company at their meeting held on August 6, 2013 and October 28, 2013 respectively, subject to their regular appointment in the Annual General Meeting.

Thereafter, in May, 2014, Stanley - Japan has withdrawn the nomination of Mr. Shigeki Muto from the Board of the Company. Consequently, he resigned from the Board of the Company w.e.f. May 30, 2014. The Board of Directors place on record its appreciation for the valuable services rendered by him during his tenure as Director.

Stanley - Japan nominated Mr. Toru Tanabe in place of Mr. Shigeki Muto. Pursuant to his nomination, the Board of Directors have appointed Mr. Toru Tanabe, as additional Director w.e.f. May 30, 2014, for the time being, on the Board of the Company at their meeting held on May 30, 2014, subject to his regular appointment in the Annual General Meeting.

Mr. Norihisa Sato is a B. Tech. from Kogakuin University, Japan, aged 52 years, having about 30 years of rich experience in Production Engineering. He joined Stanley, Japan in 1984 and has abundant experience and knowledge in the Production Engineering Fields and has a management record of 10 years' standing.

Mr. Toru Tanabe is a Graduate from HOSEI University, Japan, aged 55 years, having about 23 years of rich experience and knowledge in R&D of electrical components and advanced illumination systems for automotive equipment and about 10 years in automotive electronics since he joined Stanley, Japan in 1981 and has a management record of about 20 years' standing.

In accordance with the Articles of Association of the Company and the Companies Act, 2013, Mr. Norihisa Sato and Mr. Toru Tanabe hold office till the ensuing Annual General Meeting. The Company has received Notices in respect of Mr. Norihisa Sato and Mr. Toru Tanabe from a member under Section 160 of the Companies Act, 2013 proposing their appointment as Directors of the Company liable to retire by rotation.

Consequent to notification of Section 149 and other applicable provisions of the Companies Act, 2013, your Directors are seeking appointment of all Independent Directors for five consecutive years from the ensuing Annual General Meeting and they shall not be liable to retire by rotation.

Your Directors recommend the re-appointment/ appointment of the above Directors at the ensuing Annual General Meeting

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, 2014, the applicable Accounting Standards have been followed along with proper explanation relating to material departures in the Auditor Report and Notes to Accounts;
- (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

During the year under review the company has not accepted any Deposit under Sections 58A and 58AA of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.

AUDITORS

M/s S.R. Batliboi & Co. LLP, Chartered Accountants, auditors of the Company are completing 9 years as Statutory Auditors in the ensuing AGM. In terms of the provisions of Section 139 of the Companies Act, 2013 read with The Companies (Audit and Auditors) Rules, 2014, your Directors proposed to appoint S.R. Batliboi & Co. LLP, Chartered Accountants as Statutory Auditors of the company for a period of 3 consecutive years from the conclusion of the ensuing Annual General Meeting till the conclusion of the fourth consecutive Annual General Meeting. They have given their consent to act as Auditors of the Company and have further confirmed that their appointment, if made, would be in conformity with the provision of Section 141 of the Companies Act, 2013. The Audit Committee in its meeting held on May 30, 2014 has also recommended the appointment of M/s S.R. Batliboi & Co. LLP, as Statutory Auditors of the Company. Your Directors also recommend their appointment.

The explanations of your Board of Directors on the Auditor's observations as contained in their report, read with the relevant notes to accounts are as follows:

- i. With reference to the observations of the Auditor in Para (ix)(a) to the Annexure of their Report regarding slight delay in deposit of Statutory Dues, it is informed that the said dues have since been paid.
- ii. With reference to the observations of the Auditor in Para (xvii) to the Annexure of their Report regarding the use of short term funds for long term purposes, it is informed that in view of the general slowdown in the global economy, leading to slowdown in Auto Industry, your company decided not to go for fresh long term loans till the market improves as a result of which the company has used short term funds for long term investments.

During the year, all the recommendations of the Audit Committee were accepted by the Board. Hence there is no need for disclosure of the same in this Report.

COST AUDITORS

The Board has re-appointed M/s Jitender, Navneet & Co. as the Cost Auditors of the Company in accordance with Section 233B of the Companies Act, 1956 and in conformity with the directives of the Central Government, for the audit of the cost accounts of the Company for the Financial Year 2013-14. The Cost Audit Report for the Financial year 2012-13 has been filed with the Central Government within the stipulated time on September 26, 2013.

MATERIAL CHANGES AND COMMITMENTS

No other material changes and commitments affecting the Financial position of the Company have occurred between April 1, 2014 and the date on which this Report has been signed.

CORPORATE SOCIAL RESPONSIBILITY

People and the environment are the industry's top resources. The automobile industry invests heavily in new technologies and strategies to address the complex CSR and sustainability challenges. All over the world, the automobile brings improved quality of life; the task is to sustain and improve its benefits while reducing the environmental footprint of its products, services and production facilities.

Indian entrepreneurs and business enterprises have a long tradition of working within the values that have defined nation's character for millennia. India's ancient wisdom, which is still relevant today, inspires people to work for the larger objective of the well-being of all stakeholders. These sound and all-encompassing values are even more relevant in current times, as organizations grapple with the challenges of modern-day enterprise, the aspirations of stakeholders and of citizens eager to be active participants in economic growth and development. Corporate Social Responsibility is about achieving organization excellence in ways that honour ethical values and respect people and communities.

Your Company's CSR programs focuses on improving the well-being of people and communities through its Education and Healthcare initiatives. Through various activities, your company strive to support social inclusion and education in its broader sense of disadvantaged and underprivileged children of the society – with a focus on Girl child. Through its healthcare initiatives, which involves partnership with various agencies, your company is making healthcare available to more people in more places. All in all the activities within the both focus groups shall demonstrate a positive social and economic impact.

Education

In its continuous efforts towards CSR activities, your Company has adopted yet another branch of a School in Dundaheera, Gurgaon, which is dedicated to the children from the economically weaker section. The school has been provided with infrastructure support and other facilities for students. Apart from the above, the Company continued to support the existing 3 schools, bearing fees of all girl students and distributed school starter kit in the beginning of the session. These schools have also been provided with infrastructure and other facilities for students.

Healthcare

Further, in its on-going efforts to create healthy society, your Company also joined the Punjab Cancer Screening Drive, the biggest ever cancer screening program launched with the collaboration of Max Healthcare and Government of Punjab, as District partner-Amritsar on September 28 and 29, 2013. Nearly 1,00,000 patients were examined over two days with the help of approximately 400 doctors and more than 2500 nurses, managers and other volunteers in 22 district hospitals of Punjab. The motive behind the drive was to make people aware about the benefits of early screening and make a healthy, prosperous and cancer free society.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

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

OTHER INFORMATION

Disclosure of information regarding Conservation of Energy, Research & Development, Technology Absorption and Foreign Exchange Earning and Outgo etc. under Section 217(1)(e) of the Companies Act, 1956 is annexed separately as **Annexure - B**.

CORPORATE GOVERNANCE

The report on Corporate Governance together with the Auditor's Certificate regarding the Compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement is annexed and forms part of this Annual Report as **Annexure - C**.

PARTICULARS OF EMPLOYEES

Information on Particulars of Employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 forms an integral part of this report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report is being sent to the shareholders of the Company excluding the Statement of Particulars of employees under Section 217(2A) of the Companies Act, 1956. Any shareholder interested in obtaining a copy of such statement may write to the Vice President (Legal) and Company Secretary at the registered office of the Company.

ACKNOWLEDGEMENT

It is our belief that we are able to embrace continuous change and respond quickly with innovative products and solutions that is vitally important in an increasingly dynamic business environment. We will continue to make rapid innovations, which are essential to an organization's survival in today's hypercompetitive business environment. Your 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 and commitment rendered by all the associates and employees of the Company for their unstinted support shown during these challenging times.

For and on behalf of the Board of Directors

Place : Gurgaon
Dated : May 30, 2014

D.K. JAIN
Chairman