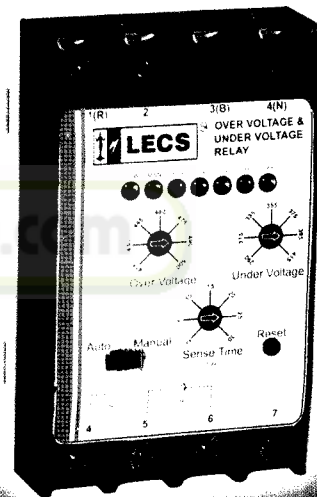
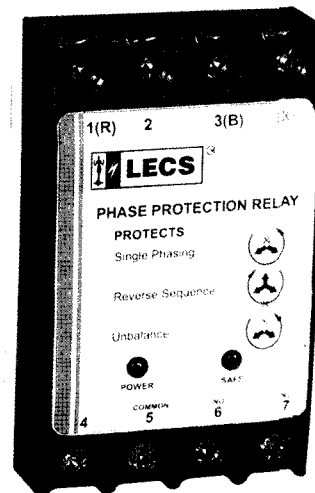


Auto Switch



Over Voltage & Under Voltage Relay



Phase Protection Relay

**LAKSHMI ELECTRICAL CONTROL SYSTEMS LIMITED**

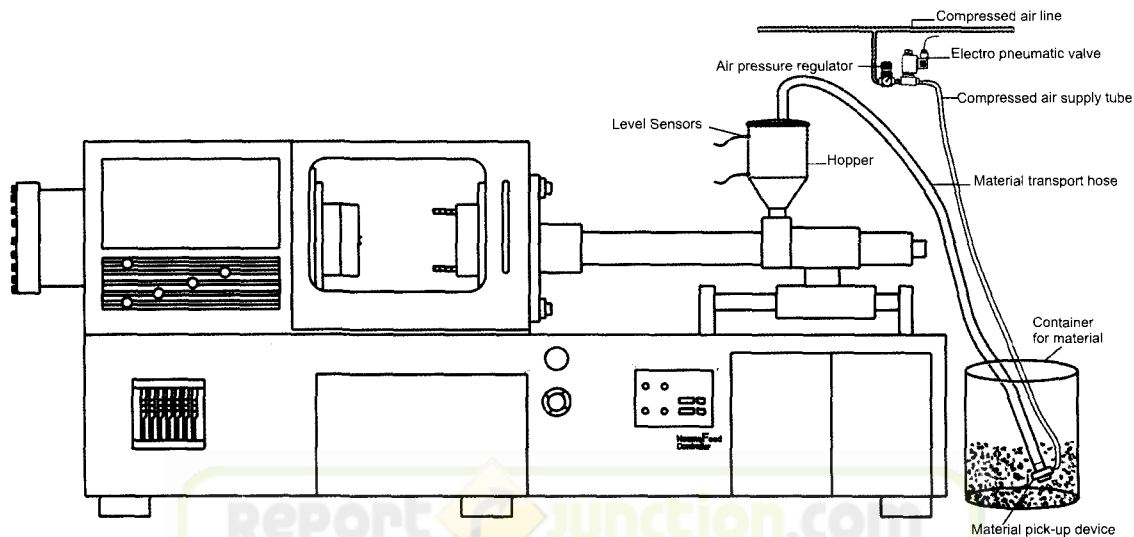
**26th ANNUAL REPORT 2006 - 2007**



**Magic!** No it is real

*Most cost effective, reliable and maintenance free.....yet simple!*

**NeumaFeed**  
**Automatic Hopper Loader**  
*Patent Pending*



**an innovative system**  
**a fresh idea.**

**It is effortless.**

- Can feed plastic raw-materials (granules or powder) to the hopper on the machine, straight from closed bags or containers placed on the floor.
- So, no chance of absorption of moisture from atmosphere by the material
- No scope of contamination with other materials or oils around, even inadvertently
- No spilling, no sweepings and loss of materials.
- Each machine can be fed independently; so, flexible in operation.
- Multiple machine feeding is also possible
- Instantaneous response and infinite flow rate control by regulating air pressure.
- No vacuum blowers and motors; so, power saving.
- Virtually maintenance free as there are no moving parts.
- Parts to be cleaned are negligible; so, material changeovers can be effected quickly, enhancing productive time of machine.
- Fully automatic with level control.
- Very easy to install and operate.

**It has all that you wished for in a hopper loader, with an edge over others.**

Manufactured by  
**LAKSHMI ELECTRICAL CONTROL SYSTEMS LIMITED**  
Arasur, Coimbatore - 641 407, INDIA

Ph : +91 422 2360306 (6 lines 301-306)  
Fax : + 91 422 2360307  
e-mail : [lecs@vsnl.com](mailto:lecs@vsnl.com)  
[www.lecsindia.com](http://www.lecsindia.com)



## LAKSHMI ELECTRICAL CONTROL SYSTEMS LIMITED

### Board of Directors

Dr. D. JAYAVARTHANAVELU (Chairman)  
 Sri. R. VENKATRANGAPPAN  
 Sri. V.J. JAYARAMAN  
 Sri. G. RANGASWAMY  
 Sri. N. SURYAKUMAR  
 Sri. SANJAY JAYAVARTHANAVELU  
 Sri. D. SENTHIL KUMAR  
 Smt. NETHRA J.S. KUMAR  
 (Wholtime Director)

### Company Secretary & Sr. Manager (Finance)

Sri. R. BOOPALAN

### Auditors

M/s. N.R. Doraiswami & Co.,  
 Chartered Accountants  
 Coimbatore.

### Registrars and Share Transfer Agents

M/s. S.K.D.C. Consultants Ltd.  
 11, S.N. Layout, Street No.1  
 Coimbatore - 641 012

### Registered Office

34-A, Kamaraj Road  
 Coimbatore 641 018

### Admn. Office and Works

Arasur - 641 407  
 Coimbatore District

### Bankers

Indian Bank  
 Bank of Baroda

### Subsidiary Company

Harshni Textiles Limited  
 504, Avanashi Road  
 Coimbatore - 641 004

## CONTENTS

## Page No.

### Lakshmi Electrical Control Systems Limited

Notice of Annual General Meeting	2
Directors' Report	4
Management Discussion and Analysis Report	8
Corporate Governance Report	10
Auditors' Report	20
Accounts	23
Consolidated Financial Statements	43

### Harshni Textiles Limited

Directors' Report	56
Auditors' Report	60
Accounts	62

## LAKSHMI ELECTRICAL CONTROL SYSTEMS LIMITED

### Notice of Annual General Meeting

Notice is hereby given that the Twenty Sixth Annual General Meeting of the share holders of Lakshmi Electrical Control Systems Limited will be held on Wednesday, the 25th July, 2007 at 10.30 a.m. at Nani Kalai Arangam, Mani Higher Secondary School, Coimbatore-641 037 to transact the following business:

#### Ordinary Business :

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March 2007 and the Profit and Loss Account for the year ended 31st March, 2007 and the Directors' and Auditors' Reports thereon.
2. To declare a dividend.
3. To appoint a Director in the place of Sri D.Senthilkumar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Sri.G.Rangaswamy, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in the place of Sri N.Suryakumar, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors to hold office till the conclusion of the next Annual General Meeting and to fix their remuneration.

Place : Coimbatore  
Date : May 31, 2007

By order of the Board  
**D. Jayavarthanavelu**  
Chairman

#### NOTE:

1. **A MEMBER WHO IS ENTITLED TO ATTEND AND VOTE AT THE ABOVE MEETING IS ENTITLED TO APPOINT A PROXY AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. **PROXIES SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE SCHEDULED COMMENCEMENT OF THE MEETING.**
3. Brief resume and details of shareholding of Non-Executive Directors who retire by rotation and seeking re-election as required under the clause 49 of the listing agreement, are provided under the Corporate Governance Report.
4. The Register of Members and Share Transfer Books of the Company relating to Equity Shares will be closed from Wednesday, the 18th July 2007 to Wednesday, the 25th July, 2007 (both days inclusive).
5. Members are requested to communicate their change of address, if any, quoting their folio numbers to our Registrars and Share Transfer Agents M/s. S.K.D.C. Consultants Limited, No.11, S.N. Layout, Street No.1, Coimbatore - 641 012. Members holding shares in demat form shall intimate the change in their address to their depository participant with whom they have demat account.



6. Members are requested to intimate their Bank Account Number details for incorporating the same in Warrants/Cheques/Demand Drafts to our Registrars and Share Transfer Agents M/s. S.K.D.C. Consultants Limited, No.11, S.N. Layout, Street No.1, Coimbatore - 641012.
7. The dividend as recommended by the Board, if sanctioned at the meeting, will be paid to those members or their mandatees whose name appear on the Register of Members on 25th July 2007, for those holding shares in physical form. In respect of the shares held in dematerialised form the dividend will be paid on the basis of beneficial ownership as per details furnished by the Depositories for this purpose at the end of the business hours on 17th July 2007.
8. Pursuant to Section 205-C of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 1999 all unclaimed dividends shall be transferred to the "Investors Education and Protection Fund" of the Central Government after a period of 7 years from the date of declaration. Shareholders who have not encashed the dividend warrants for the year 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 & 2005-06 are requested to write to our Registrars and Share Transfer Agents M/s. S.K.D.C. Consultants Limited, No.11, S.N.Layout, Street No. 1, Coimbatore - 641012 for claiming the dividend before the aforesaid dates.
9. With respect to payment of dividend, the Company provides the facility of Electronic Clearing Service (ECS) to shareholders residing in the following cities:

Ahmedabad, Bangalore, Bhubaneshwar, Chandigarh, Chennai, Delhi, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, Patna, Pune and Thiruvananthapuram.

Shareholders holding shares in the physical form who now wish to avail ECS facility, may authorise the Company with their ECS mandate in the prescribed form (enclosed) or can be had from the Registrars and Share Transfer Agents, M/s. SKDC Consultants Limited, on request. Requests for payment of dividend through ECS for the year 2006-07 should be lodged with M/s. SKDC Consultants Limited on or before 10.07.2007.

Place : Coimbatore

Date : May 31, 2007

By order of the Board

**D. Jayavarthanavelu**

Chairman

**LAKSHMI ELECTRICAL CONTROL SYSTEMS LIMITED****Directors' Report**

Your Directors have pleasure in presenting the Twenty Sixth Annual Report of your Company together with the audited accounts for the year ended 31st March 2007.

<b>Financial Results</b>	Current Year ended 31.03.2007 (Amount in Rs.)	Previous year ended 31.03.2006 (Amount in Rs.)
Sales and Other Income	70,20,07,878	51,27,13,423
<b>Gross Profit</b>	14,25,56,396	10,31,22,281
Less : Depreciation	2,54,43,306	2,28,83,252
<b>Net Profit/Loss</b>	11,71,13,090	8,02,39,029
Prior year Income	4,74,588	
Provision no longer required	—	1,74,192
	11,75,87,678	8,04,13,221
Less : Prior year expenses/extraordinary items	90,415	2,62,608
Provision for Income Tax	2,91,15,973	2,82,37,888
Provision for deferred tax	91,78,321	(10,16,429)
	7,92,02,969	5,29,29,154
Add : Surplus brought Forward	6,93,83,513	4,04,68,032
<b>AVAILABLE FOR APPROPRIATION</b>	14,85,86,482	9,33,97,186

**Directors' Recommendation for Appropriations**

Proposed Equity Dividend	1,22,90,000	1,22,90,000
Provision for corporate tax on dividend	20,88,686	17,23,673
General Reserve	1,00,00,000	1,00,00,000
Balance Carried Forward	12,42,07,796	6,93,83,513
	14,85,86,482	9,33,97,186





#### **Dividend :**

Your Directors have pleasure in recommending a dividend of Rs.5/- per Equity Share of Rs.10.00 each. The above dividend, if approved by the shareholders at the forthcoming Annual General Meeting will absorb Rs.1,22,90,000/- and will be paid to those members or their mandatees whose name appear on the Register of Members as on 25th July 2007 for those holding shares in physical form. In respect of the shares held in dematerialised form the dividend will be paid on the basis of beneficial ownership as per details furnished by the Depositories for this purpose at the end of the business hours on 17th July 2007.

#### **Performance :**

Your Directors are pleased to inform you that the Turnover including other income have increased to Rs.7020.08 Lakhs as against Rs.5127.13 Lakhs for the preceding year representing a growth of 37% over the previous year.

The profit before depreciation and tax for the year under review is Rs.1425.56 Lakhs as against Rs.1031.22 Lakhs. The profit before tax has increased from Rs.802.39 Lakhs to Rs.1171.13 Lakhs, an increase of 46%.

The substantial growth in performance is largely due to the accelerated demand for Textile Machinery. The general growth in the manufacturing sector has also thrown up good demand for Switchgear products.

#### **Industrial Relations**

Your Directors are pleased to inform that the industrial relations during the year under review were very cordial.

#### **Subsidiary Company**

The accounts of the Wholly Owned Subsidiary Company M/s.Harshni Textiles Limited form part of the Annual Report.

In accordance with the Accounting Standards (AS21) issued by the Institute of Chartered Accountants of India, the audited consolidated financial statements are annexed.

#### **Fixed Deposits**

The Company has not accepted any fixed deposits.

#### **Directors**

The following Directors are due to retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

1. Sri D.Senthilkumar
2. Sri G.Rangaswamy
3. Sri N.Suryakumar

#### **Corporate Governance**

In line with the requirements of listing agreement, Management Discussion and Analysis Report, Corporate Governance Report, Business Segment Analysis Report and Related Party Transactions are made part of this report.

#### **Listing**

Your Company's shares are listed in Madras and Mumbai Stock Exchanges and the listing fees have been paid.

#### **Auditors**

M/s. N.R. Doraiswami & Co., Chartered Accountants retire at the ensuing Annual General Meeting. They are eligible for re-appointment and have consented to act as Auditors of the Company, if appointed and the necessary certificate pursuant to Section 224(1B) of the Companies Act, 1956 have been received from them.

#### **INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956 :**

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules 1988 is furnished in the Annexure I forming part of this Report.

## LAKSHMI ELECTRICAL CONTROL SYSTEMS LIMITED

Information in accordance with Sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of Directors' Report for the year ended 31st March, 2007 is given in Annexure - II of this Report.

### Directors' Responsibility Statement :

In compliance of Section 217 (2AA) of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 2000, the Directors of your Company confirm that

- all applicable accounting standards have been followed in the preparation of annual accounts and that there are no material departure;
- such accounting policies have been selected and applied consistently and such judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2007 and of the profit of the Company for the year ended on that date;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the annual accounts have been prepared on a going concern basis.

### General :

Details of Production, Licensed and installed capacity are annexed to the Balance Sheet as required by Law.

### Acknowledgements :

Your Directors wish to convey their thanks to all the customers, Company's bankers, associates, vendors and other business partners for their continuing support to the Company.

Your Directors express their appreciation for the support given and contribution made by the employees at all levels to the successful operations of the Company during the year under review.

Place : Coimbatore  
Date : May 31, 2007

For and on behalf of the Board of Directors  
**D. Jayavarthnavelu**  
Chairman

### Annexure I

Information pursuant to Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988.

#### A) CONSERVATION OF ENERGY :

1. In spite of not being power intensive, your Company enforces strict discipline in reducing power consumption even for its auxiliary services.
2. Idle running of machinery consuming high power is restricted to the loading and unloading cycles of the respective machines.



**B) FORM B (See Rule 2)****FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION****A. Research and Development :**

1. Specific areas in which R & D carried out by the Company
  - a) Continuous improvement and upgradation of technology and design of components of the Low Voltage Switchgear & Control gear.
  - b) Phase Protection Relays.
  - c) Further development in NeumaFeed Auto Hopper Loader for a variety of applications.
2. Benefits derived as a result of the above R & D
  - a) To confirm to the latest relevant IS 13947/ IC 947 standards and UL approvals. Reduction in cost as a result of Import substitution of material / components.
  - b) An innovative alternative to the "Vacuum Loader" material handling system. Low cost, simple and maintenance free solution.
3. Future plans of action
  - a) Development of new products like Electronic Timer, U/v and O/v Relays, Thermister Protection unit and extended ranges of Low Voltage switch gear and control gear.
4. Expenditure on R & D
  - a) Capital : NIL
  - b) Recurring : Rs.29.60 lakhs
  - c) Total : Rs.29.60 lakhs
  - d) Total R&D expenditure as a percentage of total turnover: 0.43%

**B. Technology absorption, adaptation & Innovation :**

1. Efforts, in brief, made towards technology absorption, adaptation and innovation
 

No technology or know-how is bought from external bodies or imported.
2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.

**C) FOREIGN EXCHANGE EARNINGS AND OUTGO :**

- i) a) Foreign Exchange Earnings during the year : Rs. Nil
- b) Foreign Exchange used : Rs. 1,92,15,457

**Annexure II**

Statement appended to the Directors' Report pursuant to 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, 2007.

Sl. No.	Name	Age/ Yrs	Designation/ Nature of Duties	Remuneration	Qualification	Experience years	Date of Commencement of employment	Last employment before joining the Company
1.	Smt. Nethra J.S. Kumar	35	Wholetime Director	66,76,260/-	Management Degree Holder	7	01.07.02	-

Note : 1) The above remuneration includes Company's Contribution to Provident Fund, Gratuity and other Perquisites and the employment is contractual.

- 2) Smt. Nethra J.S.Kumar, Wholetime Director is related to Dr. D. Jayavarthanavelu, Chairman and Sri Sanjay Jayavarthanavelu & Sri Senthilkumar, Directors.

## LAKSHMI ELECTRICAL CONTROL SYSTEMS LIMITED

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

We could best comprehend the economic health in the country, by the GDP Indices. They are no doubt, very comforting. Though the pace of growth varies across the different segments of the Industry and services, together they constitute a rapidly expanding market for electric energy; which is now starved of it!

Thus, while the holistic picture of opportunity is exceptionally gigantic, the business possibilities in the individual elements of the chain are challenging - whether in power generation, transmission, distribution or consumption that is vastly dispersed.

The country has problems to be resolved, starting from the available choices on fuel and technology, to the infrastructure and resources.

Our company has three divisions viz., Electrical, Plastics and Wind Power Generation.

#### **Opportunities and Threats**

##### **Opportunities:**

###### *Electrical Division:*

The custom-engineered control panels assembled by us are meant for integrated control of Textile Machinery and Machine Tools. These industries are on a firm ground and registering a healthy growth.

Our OEM customers are amongst the largest and most renowned in the manufacture of Textile Machinery and so business prospects are on a secured ground.

Other Diversified products like LV Switchgear, Motor Protection & Control devices, Automatic Power Management systems, Automation devices have a vast space in the Industrial market arena.

###### *Plastics Division:*

Our activity is focused on Engineering Plastic Components. For many economic and technical reason there is an unrelenting shift from metal to plastics in almost every branch of engineering industry. The scope is endless.

###### *Wind Power generation:*

In a perpetually power hungry situation the Wind Power is one of the most sought renewable and clean energy source. So the investment in wind Turbine generators is a sound and of National interest.

##### **Threats:**

The cyclical nature and social sensitivity of the textile industry is a constant source of anxiety. But, the inherent strengths of our Country in raw materials, abundance of cheaper labour & technical manpower and large domestic market are our positives.

In the area of Low Voltage products, catering to the power consumption end of the chain, which is unquestionably very large. The spread of products in the market is, at one end highly sophisticated and hi-tech and at the other cheap and commoditized, with a lot many in between. Our choices are dictated by the technology we possess or could access. There is virtually a flood in the segment of low cost matured designs. So the opportunities lie in technology, where the options are to buy or develop in-house. Our quest is on, in both directions.