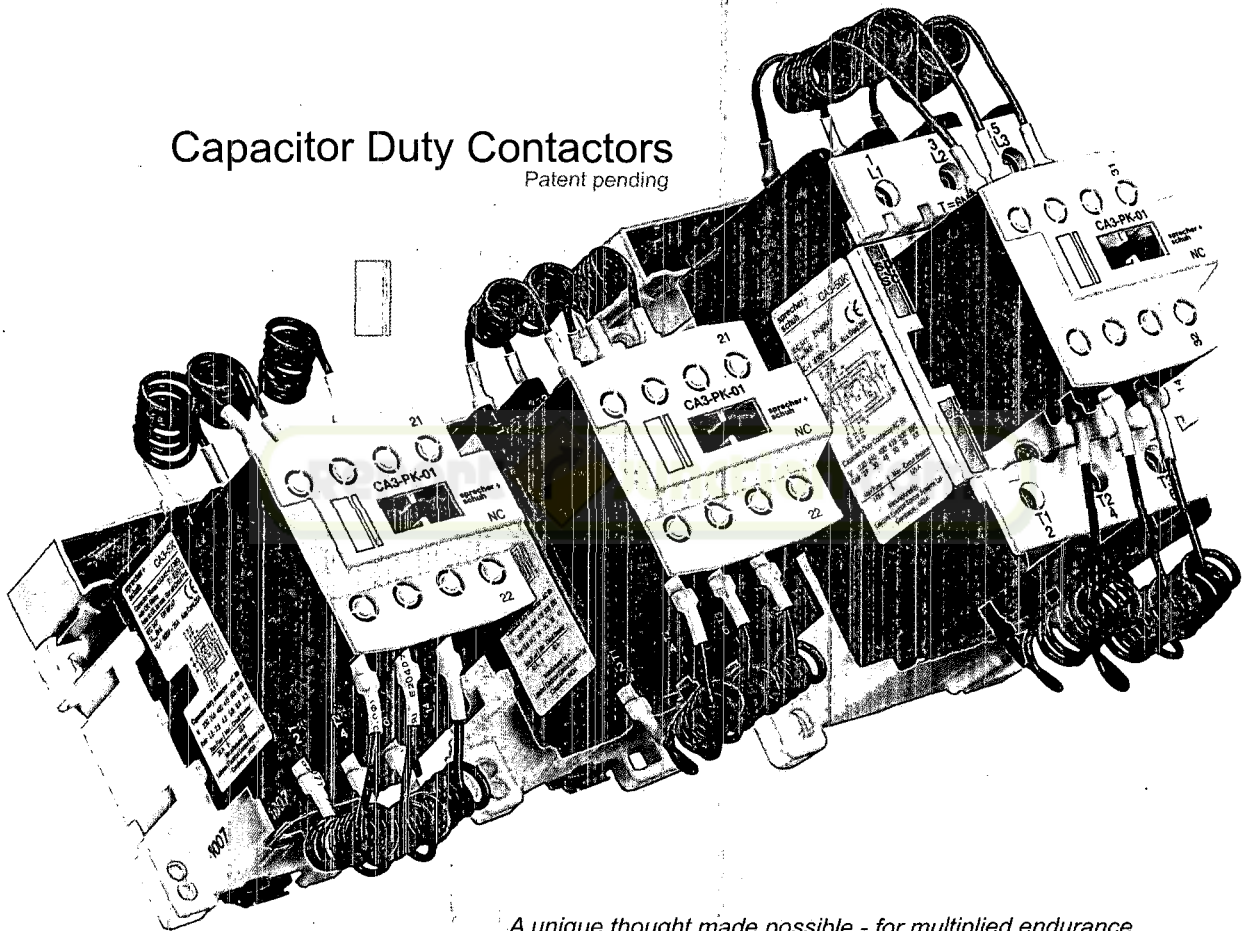




Capacitor Duty Contactors

Patent pending



A unique thought made possible - for multiplied endurance

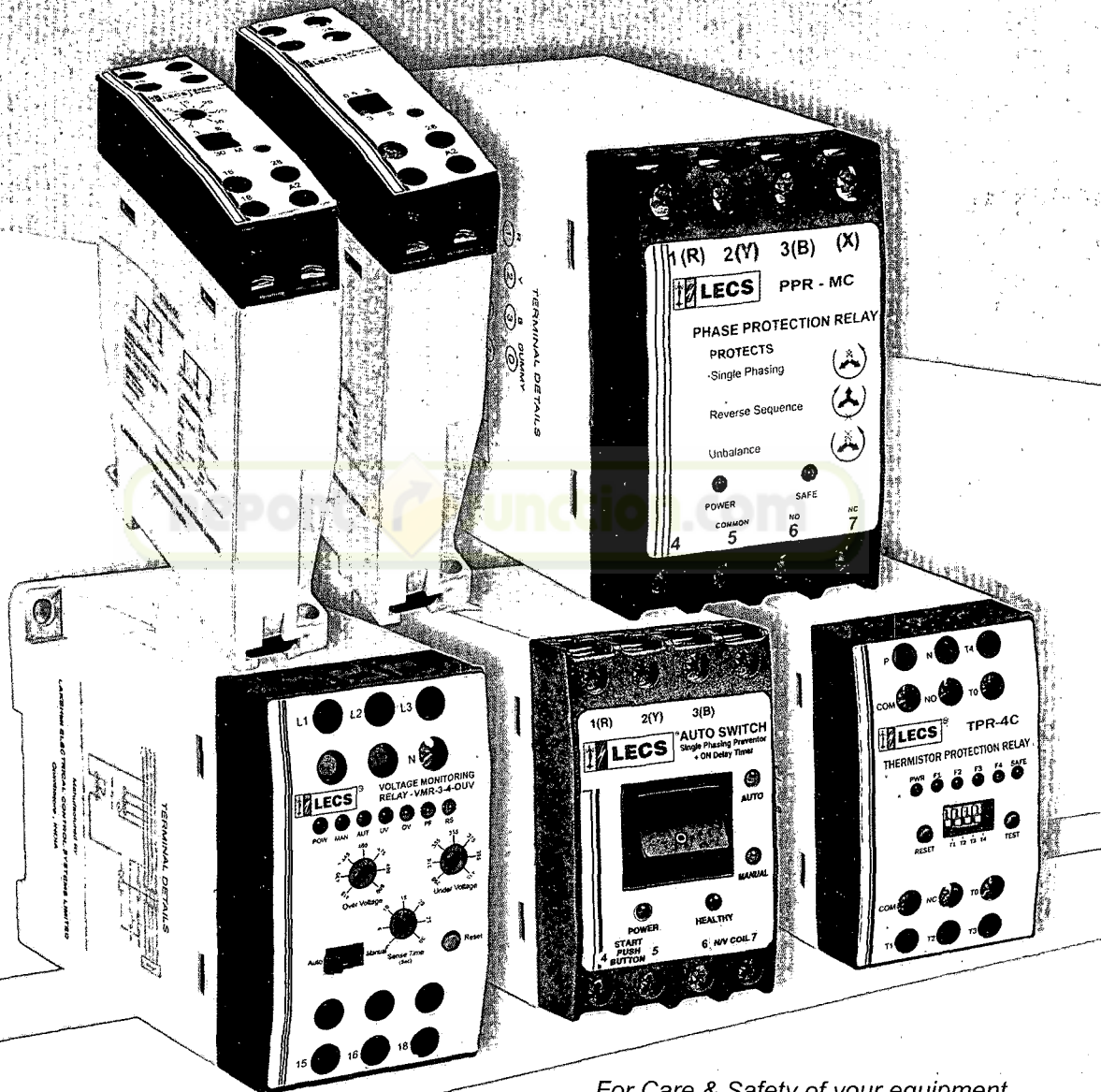
LAKSHMI ELECTRICAL CONTROL SYSTEMS LIMITED

27th Annual Report 2007 - 2008

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LECS Motor Protection & Control Devices





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
(Wholetime Director)

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

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Harshni Textiles Limited

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LAKSHMI ELECTRICAL CONTROL SYSTEMS LIMITED

Notice of Annual General Meeting

Notice is hereby given that the Twenty Seventh Annual General Meeting of the share holders of Lakshmi Electrical Control Systems Limited will be held on Monday, the 21st July 2008 at 11.30 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 2008 and the Profit and Loss Account for the year ended 31st March 2008 and the Directors' and Auditors' Reports thereon.
2. To declare a dividend.
3. To appoint a Director in the place of Sri R.Venkatrangappan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Sri.V.J.Jayaraman, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in the place of Sri Sanjay Jayavarthanavelu, 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 22, 2008

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, the Saturday, the 12th July 2008 to Monday, the 21st July 2008 (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 - 641 012.
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 21st July 2008, 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 11th July 2008.
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 2001-2002, 2002-2003, 2003-2004, 2004-05, 2005-06 & 2006-07 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, Tatabad, Coimbatore - 641 012 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 2007-08 should be lodged with M/s. SKDC Consultants Limited on or before 10.07.2008.

Place : Coimbatore
Date : May 22, 2008

By order of the Board
D. Jayavarthanelu
Chairman

LAKSHMI ELECTRICAL CONTROL SYSTEMS LIMITED

Directors' Report

Your Directors have pleasure in presenting the Twenty Seventh Annual Report of your Company together with the audited accounts for the year ended 31st March 2008.

Financial Results	Current Year ended 31.03.2008 (Amount in Rs.)	Previous year ended 31.03.2007 (Amount in Rs.)
Sales and Other Income	119,84,94,600	70,20,07,878
Gross Profit	22,75,05,047	14,25,56,396
Less : Depreciation	4,77,67,097	2,54,43,306
Net Profit/Loss	17,97,37,950	11,71,13,090
Prior year Income	—	4,74,588
Provision no longer required	—	—
	17,97,37,950	11,75,87,678
Less : Prior year expenses/extraordinary items	—	90,415
Provision for Taxation	5,84,04,651	2,91,15,973
Provision for deferred tax	45,70,238	91,78,321
	11,67,63,061	7,92,02,969
Add : Surplus brought Forward	12,42,07,796	6,93,83,513
AVAILABLE FOR APPROPRIATION	24,09,70,857	14,85,86,482
Directors' Recommendation for Appropriations		
Proposed Equity Dividend	1,47,48,000	1,22,90,000
Provision for corporate tax on dividend	25,06,423	20,88,686
General Reserve	15,00,00,000	1,00,00,000
Balance Carried Forward	7,37,16,434	12,42,07,796
	24,09,70,857	14,85,86,482



Dividend :

Your Directors have pleasure in recommending a dividend of Rs.6/- 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.1,47,48,000/- and will be paid to those members or their mandatees whose names appear on the Register of Members as on 21st July 2008 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 11th July 2008.

Performance :

Your Directors are pleased to inform you that the Turnover including other income have increased to Rs.11984.95 Lakhs as against Rs.7020.08 Lakhs for the preceding year representing a growth of 70.72% over the previous year.

The profit before depreciation and tax for the year under review is Rs.2275.05 Lakhs as against Rs.1425.56 Lakhs. The profit before tax has increased from Rs.1171.13 Lakhs to Rs.1797.38 Lakhs which is 53.47%.

Continued sentiment in the Textile Industry, to expand and modernize the capacity, has been largely helpful in the superior performance. Our LV Switchgear products are steadily gaining ground in stature and volumes despite growing competition.

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), 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 R.Venkatrangappan
2. Sri V.J.Jayaraman
3. Sri Sanjay Jayavarthanavelu

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, 2008 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, 2008 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.

For and on behalf of the Board of Directors

Place : Coimbatore

Date : May 22, 2008

D. Jayavarthanavelu

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 :

- | | |
|---|---|
| <ol style="list-style-type: none"> 1. Specific areas in which R & D carried out by the Company | <ol style="list-style-type: none"> a) Continuous improvement and upgradation of technology and design of components of the Low Voltage Switchgear & Control gear. b) Manufacturing process improvements and testing methods & devices. c) Further development in Electronic Motor Protection Relay for various applications. |
|---|---|



2. Benefits derived as a result of the above R & D
 - a) To conform to the latest relevant IS 13947/ IEC 947 standards and UL approvals. Reduction in cost through identification of alternative material / substitution of components.
 - b) Additional products are developed for commercial production to add to the mix - Capacitor Duty Contactor, Electronic Timer, Thermister Protection Relays and Voltage Monitoring Relays.
3. Future plans of action
 - a) Development of new products like Automatic Transfer Switch Controller, Electronic Coil for Higher Amps. Contactor, Electronic Motor Protection Relay for Lower Amps and extend the range of Low Voltage switchgear & controlgear.
4. Expenditure on R & D
 - a) Capital : NIL
 - b) Recurring : Rs.26.02 lakhs
 - c) Total : Rs.26.02 lakhs
 - d) Total R&D expenditure as a percentage of total turnover: 0.21%

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 :

- a) Foreign Exchange Earnings during the year : Nil
- b) Foreign Exchange used : Rs.2,93,68,909/-

For and on behalf of the Board of Directors

Place : Coimbatore
Date : May 22, 2008

D.Jayavarthanavelu
Chairman

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, 2008

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	36	Wholetime Director	97,39,371/-	Management Degree Holder	8	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. D.Senthilkumar, Directors.

LAKSHMI ELECTRICAL CONTROL SYSTEMS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Our business is largely dependent on the demand levels of Textile Industry for capital equipment; as also the general growth in the manufacturing, on a broad industrial front.

A sustained enthusiasm had continued in the Textile sector to expand capacity and modernize the production facilities, though there was some perceptible waning noticed towards the end of the year. The portends are that such situation may get accentuated in the near future.

OPPORTUNITIES AND THREATS

No question, the Electricals is a vast field with a plethora of opportunities, in every segment of it. Energy happens to be also, the most globalised concern and anxiety of every country - the great, big or small. Technology happens to be the critical centre piece of the game in this arena.

Even well heeled MNCs and institutions, with a rich store of knowledge, are pursuing mergers, acquisition and partnership in fresh directions. With challenges and competition thus remaining so intense, our strategic focus is naturally in defending our position in the market place and concentrate on our core activities, where we already have the competencies and established resources.

SEGMENTWISE PERFORMANCE

We have registered a fair growth in all the segments of our business in the past, and are holding ground.

In the Control Panel division, we have secured new accounts from OEMs and created facilities to handle the enlarged volumes of work.

In the LV Switchgear, we have been steadily improving our position in the market, both in volumes and stature. Growing size of the market has no doubt helped, but competition is intensifying and migration into new technologies is getting more difficult.

Through our own R&D efforts, we have brought to commercial production unique & innovative Capacitor Duty contactors, Electronic Timers, Thermister Protection Relays and Voltage Monitoring Relays. Our engagement in this direction continues, though modest.

Modernization of our Plastics division is continuing with the addition of three more Engel machines from Austria. Similarly in the metals, we have added one more modern press and upgraded automatic contact welding machine.

These measures were to help us make our good products even better.

OUTLOOK

With the borders fading away between economic zones, the mergers and acquisitions amongst the globally powerful and the knowledgeable is happening without constraints, as also out of compulsion. Such giant sized companies will have their sway. Lesser ones may have to play their part through their focus on narrow expertise and comparative manufacturing economics and logistics.

RISK AND CONCERN

In the much wider scenario, we have the looming threats of impaction on every business.

- Economic slowdown and inflation.
- Cascading effect of fuel prices.
- Electrical power shortage and disruptions to production.
- Flaring up of raw-material prices.