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LAKSHMI MACHINE WORKS LIMITED

39th ANNUAL REPORT 2001-2002

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Rajiv Gandhi National Quality Award - 1999

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Regional Export Award 1999-2000

Highest (overall) Export Award 2000-01

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LAKSHMI MACHINE WORKS LIMITED

ANNUAL REPORT 2001-02

BOARD OF DIRECTORS

Dr. D. JAYAVARTHANAVELU
(Chairman and Managing Director)

Sri V.N. RAMACHANDRAN

Sri M.Ct. MUTHIAH

Sri M.V. SUBBIAH

Justice Sri. G. RAMANUJAM(Retd.)

Justice Sri. S. NATARAJAN (Retd.)

Sri. R.V. SUBRAHMANIAN

Sri. S. PATHY

Sri. R. SATAGOPAN

Sri. R CHANDRASEKARAN
(Nominee Director of LIC)

Sri. R. VENKATRANGAPPAN
(Wholetime Director)

Sri. SANJAY JAYAVARTHANAVELU
(Wholetime Director)

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COMPANY SECRETARY

Sri K.V. RAMAN

AUDITORS

M/s. M.S. JAGANNATHAN & VISVANATHAN
Chartered Accountants, Coimbatore

M/s. SUBBACHAR & SRINIVASAN
Chartered Accountants, Coimbatore

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REGISTERED OFFICE

Perianaickenpalayam
Coimbatore - 641 020
Tel : 0422 - 692371 - 79
Fax : 0422 - 692541 - 42
E-mail : regd.off@lmw.co.in

CORPORATE OFFICE

34-A, Kamaraj Road
Coimbatore - 641 018
Tel : 0422 - 314680 -86
Fax : 0422 - 315912
E-mail : corp.off@lmw.co.in
Website : www.lakshmimach.com

SUBSIDIARY COMPANIES

Dee Jay Leasing Company Limited
Perianaickenpalayam
Coimbatore - 641 020

LMW Investments Limited
Perianaickenpalayam
Coimbatore - 641 020

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BANKERS

INDIAN BANK
BANK OF BARODA
INDIAN OVERSEAS BANK
CITIBANK N.A.
BANK OF NOVA SCOTIA
HDFC BANK LTD.
ICICI BANK LTD.

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Notice to Shareholders

NOTICE is hereby given that the Thirty Ninth Annual General Meeting of the Shareholders of Lakshmi Machine Works Limited, Coimbatore- 641020 will be held on Wednesday, the 21st August,2002 at 3.00 PM at 'Nani Kalai Arangam', Mani Higher Secondary School, Pappanaickenpalayam, Coimbatore - 641 037, to transact the following business:

ORDINARY BUSINESS:

1. To consider the Profit and Loss Account for the financial year ended 31st March, 2002, the Balance Sheet as at that date, the Report of the Board of Directors and the Report of the Auditors.

2. To declare a dividend.

3. To appoint a Director in the place of Sri V N Ramachandran who retires by rotation and being eligible offers himself for re-appointment.

4. To appoint a Director in the place of Sri M.Ct.Muthiah who retires by rotation and being eligible offers himself for re-appointment.

5. To appoint a Director in the place of Sri M.V.Subbiah, 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 and in this connection to consider and if deemed fit to pass with or without modification the following resolution as a Special Resolution in terms of Section 224-A of the Companies Act, 1956;

   'RESOLVED that Messrs. M.S. Jagannathan & Visvanathan and Messrs. Subbachar & Srinivasan, Chartered Accountants be and are hereby re-appointed as Auditors of the Company till the conclusion of the next Annual General Meeting on a remuneration to be determined at the Annual General Meeting on 21st August, 2002'.

By Order of the Board

(sd.) K.V. RAMAN
Company Secretary

Coimbatore - 641 018
12th June, 2002

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NOTE:

1. **A MEMBER WHO IS ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
2. **PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY AT PERIANAICKENPALAYAM, COIMBATORE - 641 020 NOT LESS THAN 48 HOURS BEFORE HOLDING THE MEETING.**
3. Members are requested to intimate their Bank Account details such as Bank Name, Branch with address and Account number for incorporating the same in Dividend Warrants/Cheques to the Secretarial Department of the Company at 34-A, Kamaraj Road, Coimbatore - 641 018 quoting their respective folio number.
4. Members are requested to intimate their change of address, if any, to the Secretarial Department of the Company at 34-A, Kamaraj Road, Coimbatore - 641 018 quoting their respective folio number.
5. The Register of Members of the Company will remain closed from Thursday, the 1st August, 2002 to Wednesday, the 21st August, 2002 (both days inclusive). 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 1st August, 2002, subject to deduction of Tax at source as per Income Tax Act, 1961.
6. i) Dividend, if declared, will not be subject to tax deduction at source, in the case of the resident individual, if the amount of such dividend does not exceed Rs. 1000/-

   ii) No deduction of tax at source will be made from dividend not covered by the above clause (i) on a member furnishing declaration in the requisite form of non-deduction of tax . Two copies of such forms are sent herewith, wherever applicable the same may be returned to us.

   iii) Members except resident individual where dividend amount payable during the financial year does not exceed Rs. 1000/- are requested to intimate their Permanent Account Number (PAN) allotted by Income Tax Authorities for the purpose of quoting the same on Tax Deduction Certificate for tax deducted on dividend, if any. Those members who have not been allotted PAN should furnish General Index Register (GIR) Number along with a declaration that PAN has not been allotted.

   (iv) Declaration for non deduction of tax and PAN/GIR number shall be sent to the Secretarial Department of the Company at 34A, Kamaraj Road, Coimbatore - 641 018 so as to reach on or before 16th August, 2002.
7. Pursuant to Section 205-A of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 1999 all unclaimed dividends shall be transferred to the "Investor 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 years 1995-96,96-97, 97-98, 98-99, 99-2000 and 2000-2001 are requested to write to the Secretarial Department of the Company at 34-A, Kamaraj Road, Coimbatore -641 018 for claiming the dividend.

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8. Any member who need any clarification on accounts or operations of the Company shall write to the Company Secretary, so as to reach him at least 7 days before the meeting, so that the information required can be made available at the meeting.

9. Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.

ANNEXURE TO THE NOTICE

Statement in respect of item no.6

Section 224-A of the Companies Act, 1956, provides that in case of a Company, in which not less than 25% of the subscribed share capital is held by public financial institutions or any Government or nationalised banks or other financial institutions referred to therein, the appointment or re-appointment of the auditors shall be made by a Special Resolution. As more than 25% of the subscribed share capital of your Company is held by the categories of bodies corporate mentioned in that Section, the resolution for the appointment of the said auditors and the fixation of their remuneration is proposed as a Special Resolution as set out in item no.6.

As required under Section 224(1) of the Companies Act, 1956, certificates have been received from them to the effect that their appointment, if made, will be in accordance with the limits prescribed in Section 224 (1B) of the Companies Act, 1956.

By Order of the Board

Coimbatore - 641 018
12th June, 2002

(sd.) **K.V. RAMAN**
Company Secretary

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Directors' Report to Shareholders

Dear Shareholders,

Your Directors have pleasure in presenting the Thirty Ninth Annual Report of your Company together with the audited accounts for the year ended 31st March, 2002.

FINANCIAL RESULTS

	2001-2002 Rs.	2000-2001 Rs.
Gross Profit	**54,11,10,317**	72,42,18,914
Depreciation	**30,75,56,473**	37,52,38,248
Profit before tax	**23,35,53,844**	34,89,80,666
Provision for income tax	**8,64,07,561**	7,50,00,000
Profit after tax	**14,71,46,283**	27,39,80,666
Excess tax provision for earlier years	--	2,26,04,607
Balance brought forward from Profit & Loss A/c	**49,64,45,665**	29,27,38,350
Less: Donations	**57,63,000**	98,54,455
Prior year Taxes	**3,36,43,682**	---
Total	**60,41,85,266**	57,94,69,168
APPROPRIATIONS		
Investment Fluctuation Reserve	**3,15,00,000**	60,00,000
Proposed Dividend	**3,65,75,190**	4,26,71,055
Tax on Dividend	--	43,52,448
Amount Transferred to General Reserve	**2,00,00,000**	3,00,00,000
Balance carried to Profit and Loss A/c	**51,61,10,076**	49,64,45,665
Total	**60,41,85,266**	57,94,69,168

DIVIDEND

Your Directors recommend payment of dividend at 30% on the equity share-capital of Rs. 12,19,17,300/- for the year ended 31st March, 2002. The dividend if approved will be paid to those members or their mandatees whose name appear on the Register of Members on 1st August, 2002 after deduction of tax wherever applicable.

OPERATIONS

During the year under review, the Company has achieved a turnover of Rs. 42,493.23 lakhs (2000-2001 Rs. 53,008.12 lakhs) resulting in a net profit of Rs. 2,335.54 lakhs (2000-2001 Rs. 3,489.81 lakhs) before taxation. The reduction in turnover is due to the poor off-take and demand for the textile machinery. This has resulted in the under-utilisation of the installed capacity and consequently has impacted the overall profitability. Besides this, the Company has initiated several measures towards reducing the cost by way of staggered number of working days, man-power, inventory control, cost control, etc. These measures have enabled the company to achieve satisfactory result in the present circumstances.

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TEXTILE MACHINERY DIVISION

While the thrust for modernisation of textile mills is gaining momentum, sluggish economy in general, particularly of textiles as a whole continues to have a severe impact on the manufacturing sector, both in respect of new machines, replacements and off-take of spares. Lack of additional spindlage creation is also a constraint.

On account of the overall demand recession in the industry, the textile machinery manufacturers in the world are competing in the market by reducing the prices. The relaxation for import of second-hand machinery is also affecting the indigenous manufacturers' market share. Your company is taking effective steps for upgrading its products to retain the market share for the various machines manufactured and emphasis is being given for launching of new products and to improve customer service.

In order to consolidate the manufacturing activities of the Textile Machinery Division, the Cots and Aprons unit has been shifted from Eloor to Unit II at Kaniyur. Similarly, the Flyer Unit was shifted from Muthugoundenpudur to Unit I in order to have product compatibility. The Powder Paint Unit, which is not a core business activity of your company has been leased out. Steps are being taken for disposal of non-performing assets.

MTD AND FOUNDRY DIVISION

The CNC machines manufactured by the Company are well accepted in the market and the Division has increased its sales performance by 27% (from Rs. 3093.57 lakhs to Rs.3930.25 lakhs). This Division has received repeat orders from customers in spite of severe competition. Supply of machines, especially to small and medium industries, resulted in increasing the turnover. The Division is also continuously taking effective steps for development of products to suit customers' requirements.

The Foundry has increased its sales performance by 58% (from Rs. 1500.47 lakhs to Rs. 2360.76 lakhs) and the export performance accounts to 56% of the sales. The annual orders committed by overseas buyers enables the Foundry to utilize its capacity fully. All the customers are satisfied with the quality of Castings supplied.

FUTURE PROSPECTS

With the introduction of Technology Upgradation Fund scheme by Government of India, the Textile Machinery Manufacturers expected a spurt in the demand for textile machinery. This however did not materialize till now.

The EXIM policy permitting the import of second-hand machinery of 10 years old is also making inroads in the already shrinking market of the Textile Machinery Industry. Added to the above constraints, the multiple systems of levies, of both Central and State Governments have increased the cost of input for the manufacture of capital goods. No incentive or encouragement is forth coming from the government to have a level playing ground to meet competition from original equipment manufacturers as well as second-hand machinery.

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EXPORTS

During the year, exports accounted for a turnover of Rs. 5758.21 lakhs (previous year Rs. 4614.03 lakhs). The textile machinery and turbo castings constitute for the increase in export performance.

RESEARCH AND DEVELOPMENT

Your Company continues to provide adequate resources for Research & Development. This has enabled the Company to introduce new models of various machines to meet the market requirements both internal and external. With no constraints in capacity, greater emphasis is laid on improving and upgrading the existing machines. Besides this, new machines are also being introduced to meet competitions from MNCs.

During the year, the new products developed by R & D Division were exhibited at ITMA Asia held at Singapore during October, 2001. The products are well accepted and the same is being commercialized.

AWARDS

During the year your Company is honoured with the following Awards:

Regional Export Award for 1999-2000 from Engineering Export Promotion Council and Certificate for Export Excellence from Textile Mills Machinery & Accessories Panel (Non-SSI).

Highest (overall) Export Award for 2000-01 from Federation of Indian Textile Engineering Industry.

Rajiv Gandhi National Quality award for 1999 (Large Scale Manufacturing Industry)

DIRECTORATE

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

1. Sri. V.N. Ramachandran
2. Sri. M.Ct. Muthiah
3. Sri M.V. Subbiah

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AUDIT COMMITTEE

An Audit Committee has been formed on 20.7.2000 consisting of Justice Sri.G.Ramanujam (Retd.), Sri.S.Pathy and Sri.R.Satagopan who are Non-Executive Directors. The committee had met 3 times during the year under review and its recommendations were accepted.

Your Company has also formed Shareholders & Investors Grievance Committee and Remuneration Committee.

INDUSTRIAL RELATIONS

The relationship with the employees was cordial throughout the year.

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