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LAKSHMI MACHINE WORKS LIMITED

40th ANNUAL REPORT 2002-2003

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LAKSHMI MACHINE WORKS LIMITED

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LAKSHMI MACHINE WORKS LIMITED
Annual Report 2002-03

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)

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 : 0422-2692371 - 79
Fax : 0422-2692541 - 42
E-mail : regd.off@lmw.co.in

CORPORATE OFFICE

34-A, Kamaraj Road
Coimbatore - 641 018
Tel : 0422-2221680 - 87
Fax : 0422-2220912
E-mail : corp.off@lmw.co.in
Website : www.lakshmimach.com

BANKERS

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

SHARE TRANSFER AGENTS

SKDC CONSULTANTS LIMITED
POST BOX NO.2979
11, S.N.LAYOUT, STREET NO.1
WEST POWER HOUSE ROAD
COIMBATORE - 641 012.

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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Fortieth Annual General Meeting of the Shareholders of Lakshmi Machine Works Limited, Coimbatore- 641020 will be held on Thursday, the 31st July, 2003, at 3.30 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, 2003, 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 S Pathy who retires by rotation and being eligible, offers himself for re-appointment.

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

5. To appoint a Director in the place of Sri R V Subrahmanian, 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 M/s M.S. Jagannathan & Visvanathan and M/s 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 31st July, 2003.

By Order of the Board

Coimbatore
29.05.2003

K.V. RAMAN
Company Secretary

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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 holding shares in physical form are requested to intimate the Change of Address and their Bank Account details such as Bank Name, Branch with address and Account number for incorporating the same in Dividend Warrants/Cheques to M/s SKDC Consultants Limited, Post Box No.2979, No. 11, S N Layout, Street No.1 (West Power House Road), Coimbatore - 641012, quoting their respective folio number. Members holding shares in Demat form shall intimate the above details to their Depository Participant with whom they have Demat Account.

4. The Register of Members of the Company will remain closed from Wednesday, the 16th July, 2003 to Thursday, the 31st July, 2003 (both days inclusive).

5. The dividend as recommended by the Board, if sanctioned at the Annual General Meeting will be paid to those members (or their mandatees) whose names appear on the Register of Members of the Company on 31st July, 2003. 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 business hours on 16th July, 2003. No deduction of tax at source will be made from dividend.

6. Pursuant to Section 205-A of the Companies Act, 1956, 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 95-96, 96-97, 97-98, 98-99, 99-2000, 2000-2001 and 2001-02 are requested to write to the Secretarial Department of the Company at 34-A, Kamaraj Road, Coimbatore - 641 018 for claiming the dividend. The seven year period for the unclaimed dividend of the year 1995-96 comes to an end on 18th August, 2003 and hence the amount will be transferred to the Investors Education and Protection Fund immediately after the said date. No claim can be made by the shareholders thereafter.

7. 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, Chennai, Coimbatore, Delhi, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur 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 Registrar and Transfer Agents, M/s SKDC Consultants Limited, on request. Requests for payment of dividend through ECS for the year 2002-2003 should be lodged with M/s SKDC Consultants Limited on or before 16.07.2003.

8. Any member who needs 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.

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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
29.05.2003

K.V. RAMAN
Company Secretary

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DIRECTORS' REPORT TO SHAREHOLDERS

Dear Shareholders,

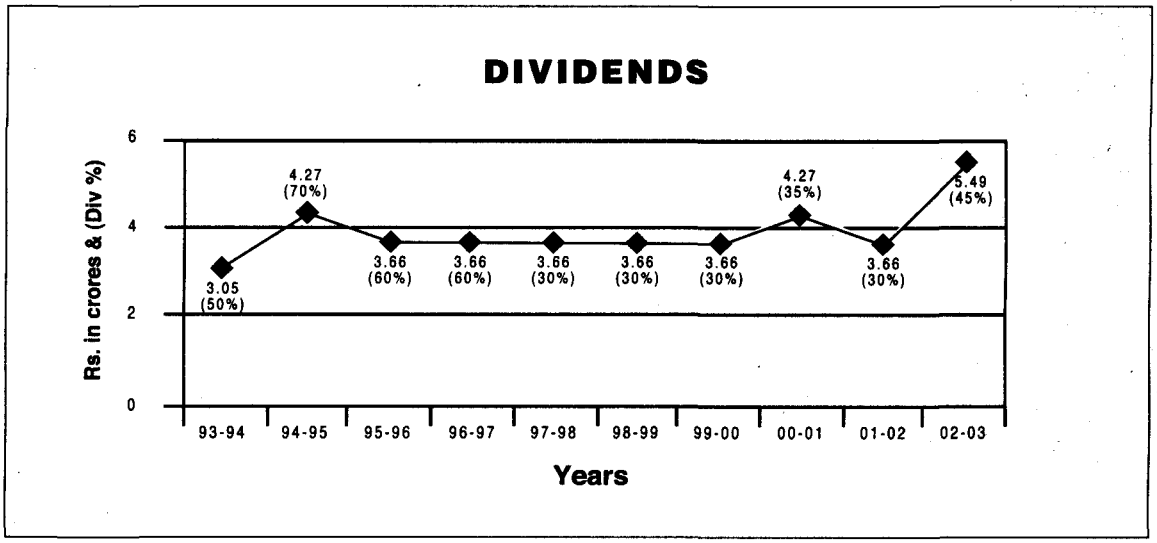
Your Directors have pleasure in presenting the Fortieth Annual Report of your Company together with the audited accounts for the year ended 31st March, 2003.

FINANCIAL RESULTS

	2002-2003 Rs.	2001-2002 Rs.
Gross Profit	66,16,44,364	54,11,10,317
Depreciation	26,52,09,026	30,75,56,473
Profit before tax	39,64,35,338	23,35,53,844
Provision for Income Tax-Current Tax	14,50,00,000	8,64,07,561
Deferred Tax	-1,18,06,217	--
Profit after tax	26,32,41,555	14,71,46,283
Excess tax provision for earlier years	4,56,83,479	--
Surplus on Acquisition of Subsidiary	3,07,75,498	--
Balance Brought forward from Profit & Loss A/c	51,61,10,076	49,64,45,665
Less: Donations	93,53,001	57,63,000
Prior year Taxes	--	3,36,43,682
Total	**84,64,57,607**	**60,41,85,266**
APPROPRIATIONS		
Investment Fluctuation Reserve	8,32,55,440	3,15,00,000
Proposed Dividend	5,48,62,785	3,65,75,190
Tax on Dividend	70,29,294	--
Amount Transferred to General Reserve	3,00,00,000	2,00,00,000
Balance carried to Profit and Loss A/c	67,13,10,088	51,61,10,076
	84,64,57,607	**60,41,85,266**

DIVIDEND

Your Directors recommend payment of dividend at 45% on the equity share-capital of Rs.12,19,17,300/- for the year ended 31st March, 2003. The dividend if approved will be paid to those members or their mandatees whose names appear on the Register of Members on 31st July, 2003 for those holding shares in physical form and on 16th July, 2003 for those holding shares in Demat form, without deduction of tax.

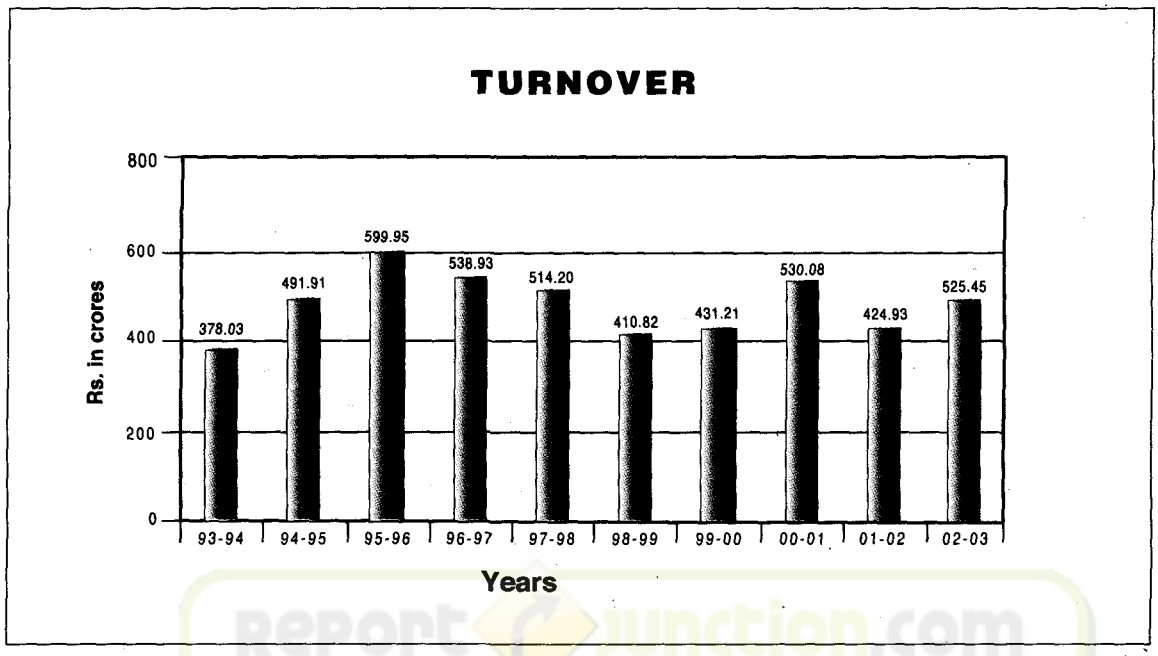


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OPERATIONS

During the year under review, the Company has achieved a turnover of Rs. 52,545.07 lakhs (2001-2002: Rs.42,493.23 lakhs) resulting in a net profit of Rs. 3,964.35 lakhs (2001-2002: Rs.2,335.54 lakhs) before taxation. The increase in turnover is due to the improved off-take and demand for the textile machinery, machine tools and foundry items.



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TEXTILE MACHINERY DIVISION

The turnover of Textile Machinery Division during the year under review is Rs.45,220.14 lakhs as against Rs.35,509.56 lakhs during the last year.

During the year under review the increase in off-take of machines is mainly due to replacement, modernization and marginal expansion. The number of new projects adding to the spindleage is minimal. As the Indian Textile Industry's yarn export accounts for a considerable share in the World Market, the demand for textile spinning machinery is bound to increase. As our Industry has grown in size and has technology comparable to the technology available in developed countries with adequate infrastructure, it has ample potential for future growth.

MACHINE TOOL DIVISION (MTD)

Turnover of MTD during the year under review is Rs.4,356.65 lakhs as against Rs.3,930.25 lakhs during the last year.

The Machine Tool Industry that had stagnated in the last few years, has shown improvement due to increased off-take by Auto and Auto Ancillary Industries. The expected demand appears to be good and the quality products at competitive prices and strong marketing strategy may give further breakthrough in the market as our products also conform to the European Standards. In order to increase the export turnover, participation in International Machine Tool Exhibition, Trade Fairs, Seminars and Appointment of Marketing agents are planned.

FOUNDRY DIVISION

This division has achieved growth in exports and during this year exports account for Rs.1,653 lakhs (previous year Rs.1,316 lakhs) which constitutes 57.43% of the total turnover. Its intricate and high quality castings meet the requirements of exacting customers like General Electric (USA) and Siemens (Germany and Spain) and are a single source for many castings. This division is poised for exponential growth in the future.

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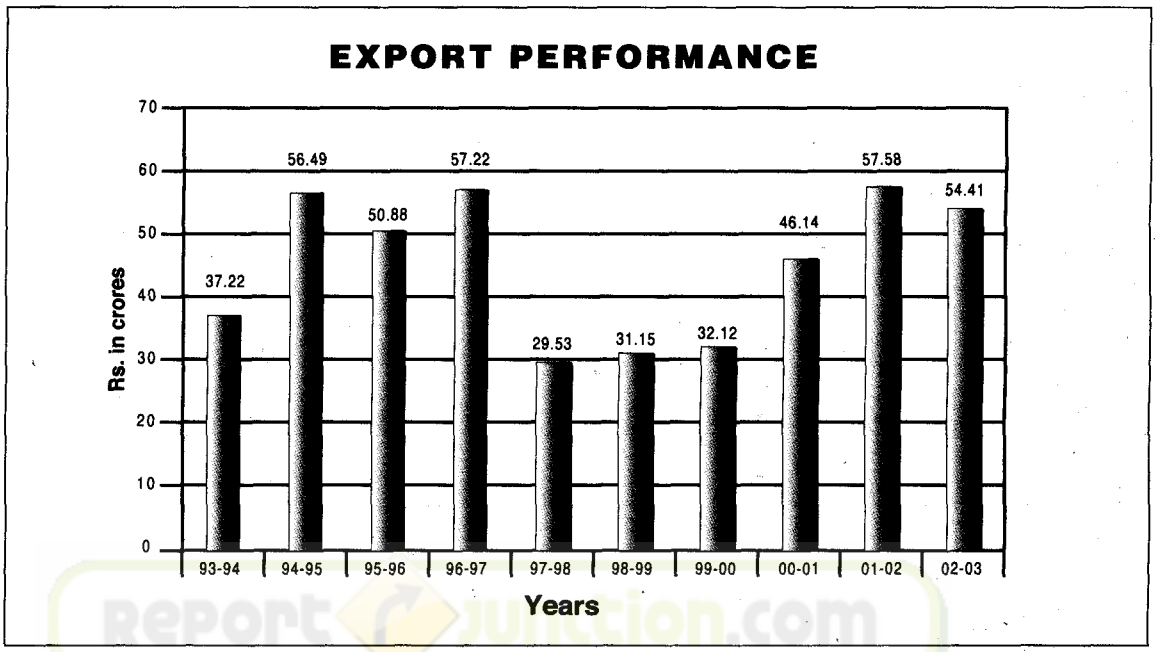
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EXPORTS

During the year under review, the company has achieved export turnover as given below:

a. Textile Machinery : Rs.3,748 lakhs (previous year Rs.4,379 lakhs)
b. Castings : Rs.1,653 lakhs (previous year Rs.1,316 lakhs)
c. Machine Tools : Rs. 39 lakhs (previous year Nil)

Continuous efforts are being made to explore new markets besides developing the existing markets.



RESEARCH AND DEVELOPMENT

The R&D activities are being constantly strengthened by way of improving infrastructure in Hardware and Software, and also skilled human resource to bring out a state-of-the-art product with competitive pricing to face Global Competition.

ERP IMPLEMENTATION

To make your Company competitive and add value in the manufacturing programme which will enable it to optimize utilisation of all the resources and have centralized monitoring, during the year under review, your company has selected Oracle 11i Business Suite for implementation. Tata Consultancy Services has been appointed as Implementation partner for introduction of various modules namely Manufacturing, Marketing, Finance, Supply Chain and Human Resources.

The implementation came alive during the first week of May, 2003.

AWARDS

During the year your Company was honoured with the Apex Export Award for Textile Machinery and Parts from the Federation of Indian Textile Engineering Industry for the year 2001-02.

DIRECTORATE

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

1. Sri. S. Pathy
2. Sri. R. Satagopan
3. Sri. R. V. Subrahmanian

INDUSTRIAL RELATIONS

The relationship with the employees was cordial throughout the year.

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