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LMW[®]

LAKSHMI MACHINE WORKS LIMITED

43rd ANNUAL REPORT 2005 - 2006

Vision

To enhance customer satisfaction and our image globally and achieve exponential growth to leadership through world class products and service.

Mission

To deliver greater value to our customers by providing complete competitive solutions through technological leadership and manufacturing excellence that are responsive to dynamic market needs.



Quality Policy

To establish global presence in spinning systems by providing Quality services and "state of the art" machinery that enhance value and customer satisfaction through company-wide efforts in continual improvement of People, Systems, Processes, Technology and Practices.

Environmental Policy

LMW is committed to the protection of environment and conservation of natural resources, as a "Service to the Future Generations".

LMW shall strive to achieve Environmental Excellence through :

- Compliance with applicable legislative & other requirements and go beyond compliance to good practices on environmental management.
- Periodic review of its environmental performance and minimizing the environmental impacts, while achieving its business objectives.
- Protection of air, water, land & biodiversity and engaging with the community & business associates on environmental issues of mutual interest.
- Waste minimization, energy conservation and recycle & reuse of resources like water & sand.
- Provision of management tools, awareness and training to the employees for continual improvement in its overall environmental performance.

ANNUAL REPORT 2005 - 06

REGISTERED OFFICE

Perianaickenpalayam
Coimbatore 641 020
Tel : 2692371-79
6612255
Fax : 2692541-42
E-mail : regd.off@lmw.co.in
Website : www.lakshmimach.com

CORPORATE OFFICE

34-A, Kamaraj Road
Coimbatore 641 018
Tel : 2221680-87
Fax : 2220912
E-mail : secretarial@lmw.co.in

BANKERS

Indian Bank
Bank of Baroda
Indian Overseas Bank
Citibank N.A.
HDFC Bank Ltd.
IDBI Bank Ltd.
Standard Chartered Bank

SHARE TRANSFER AGENTS

SKDC Consultants Limited
Post Box No. 2979
COIMBATORE 641 012
Phone : 5549995
Fax : 2499574
E-mail : info@skdc-consultants.com

BOARD OF DIRECTORS

Dr. D. Jayavarthanavelu
(Chairman and Managing Director)
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.R. Nair
(Nominee Director of LIC upto 20.8.2005)
Sri. T. Thomas Mathew
(Nominee Director of LIC w.e.f 20.8.2005)
Sri. R. Venkatrangappan
(Wholetime Director)
Sri. Sanjay Jayavarthanavelu
(Wholetime Director)

CHIEF FINANCIAL OFFICER

Sri. R. Rajendran

COMPANY SECRETARY

Sri. K. Duraisami

AUDITORS

M/s. M.S. Jagannathan & Visvanathan
Chartered Accountants, Coimbatore
M/s. Subbachar & Srinivasan
Chartered Accountants, Coimbatore

CONTENTS

• Notice to Share holders	2
• Directors' Report	7
• Management Discussion and Analysis Report	17
• Corporate Governance Report	20
• Auditors' Report	32
• Accounts	36
• Corporate Information	55

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Forty Third Annual General Meeting of the Shareholders of Lakshmi Machine Works Limited, Coimbatore - 641 020 will be held on Friday, the 18th August, 2006 at 2.45 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, 2006, the Balance Sheet as at that date, the Report of the Board of Directors and the Report of the Auditors.
2. To declare a Final Dividend
3. To note the retirement of Sri R V Subrahmanian, Director who retires by rotation and does not offer himself for re-appointment.
4. To appoint a Director in the place of Justice Sri G Ramanujam (Retd.) who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in the place of Justice Sri S Natarajan (Retd.) who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint auditors to hold office till the conclusion of next Annual General Meeting and fix their remuneration.

SPECIAL BUSINESS :

7. To consider and if deemed fit to pass with or without modification the following resolution as a Special Resolution.

"RESOLVED that in accordance with the provisions of Sections 198, 269, 309, 349 and 350 read with Schedule XIII and other applicable provisions, if any of the Companies Act, 1956, Sri R Venkatrangappan be and is hereby re-appointed as Wholtime Director of the Company for a further period of five years with effect from 3rd June, 2007 to 2nd June, 2012 upon the terms and conditions set out below :

REMUNERATION :

- i) Salary : Rs. 3,00,000/- per month
- ii) Commission : 1% of the net profit payable annually
- iii) Perquisites :

In addition to the salary and commission, the Wholtime Director shall also be entitled to interchangeable perquisites like furnished accommodation, where accommodation is not provided 50% of the salary as HRA, gas, electricity, water, furnishings, medical reimbursement, LTA for self and family, club fees, medical insurance etc., in accordance with the rules of the Company, such perquisites being restricted to Rupees thirty six lakhs per annum. For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income Tax rules wherever applicable.

Company's contribution to Provident Fund and Superannuation Fund as per rules of the Company, to the extent these, either singly or together, not taxable under the Income Tax Act, 1961 shall not be included in the computation of the ceiling on remuneration or perquisites. Gratuity payable shall not exceed half a month's salary for each completed year of service.

The Wholtime Director is entitled to encashment of leave at the end of tenure which shall not be included in the computation of the ceiling on remuneration or perquisites.

Provision of Company car with driver for use on Company's business and telephone facility at his residence will not be considered as perquisites, personal long distance calls on telephone and use of the car for private purposes shall be billed by the Company to the Wholtime Director.

The Minimum remuneration and perquisites to be paid in the event of loss or inadequacy of profit in any financial year during the tenure of office shall be as per Schedule XIII of the Companies Act, 1956.

8. To consider and if deemed fit to pass with or without modification the following resolution as a Special Resolution.

"RESOLVED that in accordance with the provisions of Sections 198, 269, 309, 349 and 350 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, Sri Sanjay Jayavarthanavelu be and is hereby re-appointed as Wholtime Director of the Company for a further period of five years with effect from 3rd June, 2007 to 2nd June, 2012 upon the terms and conditions set out below :

REMUNERATION :

- i) Salary : Rs. 3,00,000/- per month
- ii) Commission : 1% of the net profit payable annually

iii) Perquisites :

In addition to the salary and commission, the Wholetime Director shall also be entitled to interchangeable perquisites like furnished accommodation, where accommodation is not provided 50% of the salary as HRA, gas, electricity, water, furnishings, medical reimbursement, LTA for self and family, club fees, medical insurance etc., in accordance with the rules of the Company, such perquisites being restricted to Rupees thirty six lakhs per annum. For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income Tax rules wherever applicable.

Company's contribution to Provident Fund and Superannuation Fund as per rules of the Company, to the extent these, either singly or together, not taxable under the Income Tax Act, 1961 shall not be included in the computation of the ceiling on remuneration or perquisites. Gratuity payable shall not exceed half a month's salary for each completed year of service.

The Wholetime Director is entitled to encashment of leave at the end of tenure which shall not be included in the computation of the ceiling on remuneration or perquisites.

Provision of Company car with driver for use on Company's business and telephone facility at his residence will not be considered as perquisites, personal long distance calls on telephone and use of the car for private purposes shall be billed by the Company to the Wholetime Director.

The Minimum remuneration and perquisites to be paid in the event of loss or inadequacy of profit in any financial year during the tenure of office shall be as per Schedule XIII of the Companies Act, 1956.

Place : Coimbatore

Date : 28.06.2006

By Order of the Board

K. Duraisami

Company Secretary

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. 7 (Old No.11) S N Layout, Street No.1 (West Power House Road), Coimbatore - 641 012 quoting their respective folio number and 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, Tuesday the 1st August, 2006 to Friday, the 18th August, 2006 (both days inclusive).
5. The final 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 of the Company on 18th August, 2006. 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 31st July, 2006. 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 1998-99, 1999-2000, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06 (interim) 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 1998-99 comes to an end on 19th September, 2006. The amount will be transferred to the Investors Education and Protection Fund immediately after the said date and 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, Baroda, Bhuvaneshwar, Chandigarh, Chennai, Coimbatore, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkatta, Mumbai, Nagpur, New Delhi, Pune, Surat, Trivandrum.

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 Registrar and Transfer Agents, M/s SKDC Consultants Limited, on request. Requests for payment of final dividend

through ECS for the year 2005-06 should be lodged with M/s SKDC Consultants Limited on or before 01.08.2006.

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

EXPLANATORY STATEMENT IN TERMS OF SECTION 173 OF THE COMPANIES ACT, 1956

Item No. 7 & 8 :

Sri R Venkatrangappan and Sri Sanjay Jayavarthanavelu were re-appointed as Wholetime Directors of the Company for a period of five years with effect from 3rd June, 2002 to 2nd June, 2007 and the same was approved by the shareholders at the Annual General Meeting held on 16th July, 2001. The term of their office expires on 2nd June, 2007. In the interest and progress of the Company they are re-appointed for a further period of five years from 3rd June, 2007 to 2nd June, 2012.

Accordingly the said Resolutions are submitted for your approval.

Sri R Venkatrangappan and Sri Sanjay Jayavarthanavelu, Wholetime Directors are not liable to retire by rotation.

Interest of Directors :

- i) No Director other than Sri R Venkatrangappan is concerned or interested in his re-appointment as Wholetime Director.
- ii) No Director other than Dr D Jayavarthanavelu, Chairman and Managing Director and Sri Sanjay Jayavarthanavelu, Wholetime Director are concerned or interested in the re-appointment of the latter as Wholetime Director.

Disclosure :

Brief resume and the details of shareholding required to be given under clause 49 of the Listing Agreement in connection with the retirement and re-appointment of Non-Executive Directors and Wholetime Directors are provided under the Corporate Governance Report.

Place : Coimbatore
Date : 28.06.2006

By Order of the Board
K. Duraisami
Company Secretary

DIRECTORS' REPORT TO SHAREHOLDERS

Dear Shareholders,

Your Directors have pleasure in presenting the Forty-third Annual Report of your Company together with the audited accounts for the year ended 31st March, 2006.

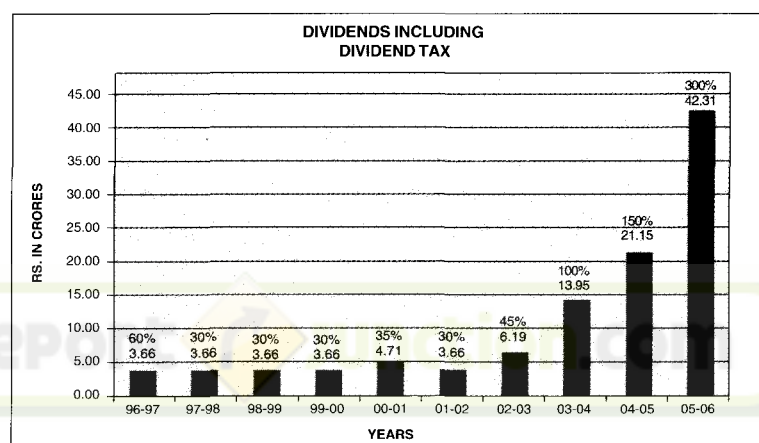
Rupees

FINANCIAL RESULTS		
Year	2005-06	2004-05
Gross Profit	2,437,908,680	1,472,228,063
Depreciation	558,754,884	363,388,945
Profit Before Tax	1,879,153,796	1,108,839,118
Provision for Income Tax - Current Tax	300,000,000	250,000,000
- Deferred Tax (Net)	86,456,572	125,484,405
- Fringe Benefit Tax	12,018,493	---
Profit After Tax	1,480,678,731	733,354,713
Add : Transfer from Investment Fluctuation Reserve	---	589,615,684
Less : Loss on sale of quoted investments	---	583,805,804
Add/Less : Prior year taxes	-32,350,280	4,402,183
Balance brought forward	1,497,594,035	1,049,392,185
BALANCE AVAILABLE FOR APPROPRIATION	2,945,922,486	1,784,154,595
APPROPRIATIONS :		
Interim Dividend	123,692,500	---
Interim Dividend Tax	17,347,873	---
Investment Fluctuation Reserve	533,897,698	---
Proposed Final Dividend	247,385,000	185,538,750
Tax on Proposed Final Dividend	34,695,746	26,021,810
Amount transferred to General Reserve	150,000,000	75,000,000
Surplus carried to Balance Sheet	1,838,903,669	1,497,594,035
TOTAL	2,945,922,486	1,784,154,595

DIVIDEND

Your Directors recommend payment of final dividend at 200% on the equity share-capital of Rs. 12,36,92,500/- for the year ended 31st March, 2006. The dividend if approved will be paid to those members or their mandatees whose name appear on the Register of Members on 18th August, 2006 for those holding shares on physical form and as per the details furnished by the depositories as at the end of business hours on 31st July, 2006 for those holding shares on Demat form, without deduction of tax.

Your Directors have already paid an interim dividend of Rs.100/- per share during February, 2006. The Interim dividend paid and the final dividend recommended now works out to a total dividend of Rs. 300/- per equity share of Rs.100/- each for the financial year 2005-06.



OPERATIONS

During the year under review, the Company has achieved a turnover of Rs. 130206.51 lakhs (2004-05 Rs. 99077.06 lakhs) resulting in a net profit of Rs. 18791.54 lakhs (2004-05 Rs.11088.39 lakhs) before taxation. The increased demand for all the products manufactured by your company enabled to achieve 31.4% growth in sales.

