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LMW

LAKSHMI MACHINE WORKS LIMITED

34th ANNUAL REPORT - 1996 - 97





LAKSHMI MACHINE WORKS LIMITED

BOARD OF DIRECTORS

Dr . D. JAYAVARTHANAVELU
(Chairman and Managing Director)

Sri. V.N. RAMACHANDRAN

Mr. ERWIN STOLLER

Mr. KURT E. FELLER

Mr. HORST KRUG

(Alternate Director to Mr. Erwin Stoller)

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

(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.

LAKSHMI MACHINE WORKS LIMITED

REGISTERED OFFICE :

Perianaickenpalayam
Coimbatore - 641 020

CORPORATE OFFICE :

305, 'A' Block, 3rd Floor,
Raheja Centre,
1073/74, Avanashi Road,
Coimbatore - 641 018

TEXTILE MACHINERY DIVISIONS :

UNIT I : Perianaickenpalayam
Coimbatore - 641 020

UNIT - II : Kaniyur
Coimbatore - 638 659

GEARS UNIT : 20, Sitra Kalapatti Road,
Kalapatti, Coimbatore - 641 035

SPINDLES UNIT : SF 113, Annur Road,
Arasur, Coimbatore - 641 407

MACHINE TOOL DIVISION

Arasur
Coimbatore - 641 407

FOUNDRY DIVISION

Arasur,
Coimbatore - 641 407

GRANITE DIVISION

7, Wallace Garden II Street
Nungambakkam, Chennai - 600 006

AGRO DIVISION

2A - Jubilee Building
45, Museum Road, Bangalore - 560 001

SUBSIDIARY COMPANIES :

(Wholly owned)
DEEJAY LEASING COMPANY LTD.
Perianaickenpalayam
Coimbatore - 641 020

LMW MANAGEMENT SERVICES LTD.

Perianaickenpalayam
Coimbatore - 641 020

BANKERS :

INDIAN BANK
BANK OF BARODA
INDIAN OVERSEAS BANK
CITY BANK N-A,
ABN. AMRO BANK N.V.

SECURITY TRANSFER AGENTS :

LMW MANAGEMENT SERVICES LTD.
Perianaickenpalayam
Coimbatore - 641 020

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LAKSHMI MACHINE WORKS LIMITED

Regd. Office : Perianaickenpalayam, Coimbatore - 641 020.

**NOTICE TO SHAREHOLDERS**

NOTICE is hereby given that the Thirty Fourth Annual General Meeting of the Shareholders of Lakshmi Machine Works Limited, Coimbatore - 641 020 will be held on Thursday, the 21st August 1997 at 3.30 P.M. 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 1997, 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. M. V. Subbiah who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in the place of Sri. S. Pathy who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in the place of Sri.R.Venkatrangappan 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, 1997'.

Special Business:

7. To consider and, if deemed fit, to pass with or without modification the following resolution as an ordinary resolution:

RESOLVED THAT the Authorised Share Capital of the Company be increased from Rs.12,00,00,000/- (Rupees twelve crores only) divided into 12,00,000 equity shares of Rs.100/- each to Rs.25,00,00,000/- (Rupees twenty five crores only) divided into 25,00,000 equity shares of Rs.100/- each by creation of additional 13,00,000 equity shares of Rs.100/- each ranking paripassu in all respects with the existing equity shares of the Company.

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

RESOLVED that Clause V of the Memorandum of Association of the Company as it exists now be deleted and the following shall be inserted in its stead:

V. The Authorised Share Capital of the Company shall be Rs.25,00,00,000/- (Rupees twenty five crores only) divided into 25,00,000 equity shares of the face value of Rs.100/- each.

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

RESOLVED that the present Article 12(a) of the Articles of Association of the Company be deleted and the following be substituted in its stead:

12 (a) The Authorised Share Capital of the Company shall be Rs.25,00,00,000/- divided into 25,00,000 equity shares of Rs.100/- each.

LAKSHMI MACHINE WORKS LIMITED

10. To consider and, if deemed fit, to pass with or without modification the following resolution as an Ordinary Resolution:

RESOLVED that:

- a) A sum of Rs.6,09,57,600/- being part of the General Reserve as on 31.3.1997 be and the same is hereby capitalised and accordingly such sum be and is hereby set free for distribution among the holders of the existing 6,09,576 equity shares of Rs.100/- each, whose names stand on the Register of Members on such date as may be fixed by the Board of Directors in that behalf, in the proportion in which such sum would have been divisible amongst them had the same been applied or been applicable in paying the dividends, on the footing that such members become entitled thereto as capital and not as income and that the same be not paid in cash, but be paid to such members as aforesaid, in paying up in full 6,09,576 equity shares of Rs.100/- each to be allotted and distributed as fully paid Bonus Shares to and amongst the said members in the proportion of one Bonus Share for every one existing equity share held by such members.
- b) such Bonus Shares shall be subject to the Memorandum of Association and Articles of Association of the Company and shall rank paripassu in all respect with the existing shares and such shares shall be entitled to dividend from the financial year in which the shares are allotted.
- c) members to whom the bonus shares are allotted as above, shall accept the same in full satisfaction of their respective rights and interests in the said capitalised sum of Rs.6,09,57,600/-
- d) no allotment letters shall be issued to the allottees of bonus shares and the certificates in respect of the bonus shares shall be completed and kept ready for delivery within a period not exceeding three months from the date of allotment thereof and shall be sent to the allottees thereof within the said period of three months.
- e) the issue and allotment of the said bonus shares to the extent they relate to the non-resident shareholders of the Company will be subject to the approval of the Reserve Bank of India, as may be necessary.

'RESOLVED FURTHER that for the purpose of giving effect to this resolution and for removal of difficulties, the Board of Directors of the Company be and is hereby authorised to do all such incidental acts, deeds, matters and things and to give from time to time, such directions as may be necessary, expedient usual or proper and to settle any question or doubt that may arise in relation thereto or otherwise, reconsider the matter with changed circumstances as the board in its absolute discretion think and its decision shall be final and binding on all members and other interested persons and to take such steps as may be necessary or desirable to give effect to this Resolution.'

11. 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 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals as may be necessary Sri R. Venkatragappan be and is hereby reappointed as Wholtime Director of the Company for a further period of five (5) years with effect from 3.6.97 upon the terms and conditions set out below:

REMUNERATION:

- i) Salary : Rs.75,000/- per month
- ii) Commission : 1% of the net profit payable annually subject to a maximum of Rs.1,50,000/- per month.
- iii) Perquisites :
In addition to the salary and commission, the Wholtime Director shall also be entitled to perquisites like furnished accommodation and 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 Rs.8 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, are 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 a 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 purpose shall be billed by the Company to 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.

12. 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 read with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956 and subject to such approvals as may be necessary Sri. Sanjay Jayavarthanavelu be and is here by reappointed as Wholtime Director of the Company for a further period of five (5) years with effect from 3.6.97 upon the terms and conditions set out below:

REMUNERATION:

- i) Salary : Rs.75,000/- per month
- ii) Commission : 1% of the net profit payable annually subject to a maximum of Rs.1,50,000/- per month.
- iii) Perquisites

In addition to the salary and commission, the Wholtime Director shall also be entitled to perquisites like furnished accommodation and 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 Rs.8 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, are 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 a 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 purpose shall be billed by the Company to 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.

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

RESOLVED THAT subject to the sanction of the Board for Industrial and Financial Reconstruction (BIFR) under the Provisions of Sick Industrial companies (Special Provisions) Act, 1985 (SICA), a Scheme of Amalgamation of India Precision Bearing Mfrs. Limited (IPBM) with the Company as laid before the meeting and initialed by the Chairman for the purpose of identification, be and the same is hereby approved and the Board of Directors of the Company or any Committee appointed by the Board for the purpose be and is hereby authorised to accept such alterations and modifications in the Scheme as may be stipulated or required by BIFR, Operating Agency, Financial Institutions, Banks, State or Central Government Authorities, Creditors and Employees of IPBM, if any, while sanctioning or participating in the said Scheme of Amalgamation and/or granting such approvals, if any, required in connection

LAKSHMI MACHINE WORKS LIMITED

therewith, which the Board of Directors of the Company or its committee appointed for the purpose may deem fit and in the interest of the Company and to do such acts, deeds and things as may be necessary to give effect to the said Scheme of Amalgamation.

14. 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 Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals as may be necessary, consent of the Company be and is hereby accorded to the issuance of upto 6000 Equity Shares of Rs.100/- each of the Company to the shareholders of India Precision Bearing Mfrs. Limited (IPBM) in exchange for shares held by them in IPBM in proportion of 1 Equity Share of Rs.100/- each of the Company for every 500 Equity Shares of Rs.10/- each held in IPBM or such number of shares in such proportion as may be determined in the Scheme of Amalgamation finally sanctioned by BIFR.

RESOLVED FURTHER THAT in the event of any shareholder of IPBM becoming entitled to any fraction of the share of Lakshmi Machine Works Ltd. (LMW) as a result of such issue, no fractional certificate shall be issued by the Company and such fractions shall be consolidated into whole shares and the Board of Directors of the Company or committee thereof will allot such shares to any person or persons as they may, in their absolute discretion, deem fit for the purpose of holding and selling such whole shares at such time or times at such price or prices as may be beneficial to the members of IPBM and the aggregate sale proceeds of such whole shares, after defraying all costs, charges, and expenses of sale, shall be distributed and divided pro rata amongst such members of IPBM as would otherwise have been entitled to such fractions of the share of the Company pursuant to the Scheme.

RESOLVED FURTHER THAT the Equity Shares so allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company and shall rank paripassu in all respects with the existing Equity Shares of the Company except that the same shall be entitled to dividend, if declared by the Company pro rata from the date of allotment.

RESOLVED FURTHER THAT the Board of Directors of the Company or any Committee appointed by the Board for the purpose be and is hereby empowered to make such changes in the number of shares to be allotted and the ratio of shares to be allotted and such other changes as may be required in the Scheme of Amalgamation by BIFR, Government and other authorities, while granting their approvals and which are acceptable to the Board of Directors of the Company or the Committee appointed for the purpose.

Place : Coimbatore
Date : 20th June, 1997

By Order of the Board
K.V.Raman
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 a 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 Number, Branch details for incorporating the same in Dividend Warrants to the Company's Security Transfer Agents M/s LMW Management Services Limited, Perianaickenpalayam, Coimbatore - 641 020, quoting their respective folio number.
- 4) Members are requested to intimate their change of address if any, to the Company's Security Transfer Agents quoting their respective folio numbers.
- 5) The Register of Members of the Company will remain closed from Friday the 1st August 1997 to Thursday, the 21st August 1997 (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 names appear on the Register of Members on 21st August 1997, without deduction of tax consequent to the amendment to the Income Tax Act, 1961.



- 6) Pursuant to Section 205-A of the Companies Act, 1956, all unclaimed dividends for the financial year ended 31st March, 1994 shall be transferred to the General Revenue Account of the Central Government before 05.08.1997. Shareholders who have not encashed the dividend warrants for the said period are requested to write to the Company's Security Transfer Agents for claiming the dividend before 05.08.1997. After that period, the Shareholders are to claim the dividend from the Registrar of Companies, Tamilnadu, Coimbatore.
- 7) In compliance with the requirements of Sec 302 of the Companies Act, 1956 the terms contained in the notice for item 11 and 12 be taken as the abstract of terms of remuneration payable to Sri R.Venkatrangappan and Sri Sanjay Jayavarthanavelu, Wholetime Directors.
- 8) 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 the 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 or 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 (i) 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.

Explanatory Statement in terms of Section 173 and 393 of the Companies Act, 1956.

Item No.7, 8 & 9

The authorised share capital of the Company is Rs.12,00,00,000/- divided into 12,00,000 equity shares of Rs.100/- each. The issued, subscribed and paid up share capital is Rs.6,09,57,600/- divided into 6,09,576 equity shares of Rs.100/- each. In view of the proposed bonus issue and scheme of amalgamation/merger of IPBM with the Company, the Company will have to issue and allot equity shares of Rs.100/- each in the Company to the shareholders of the Company as well as to the shareholders of IPBM. It will, therefore, be necessary and proposed to increase the authorised share capital of the Company from Rs.12,00,00,000/- to Rs.25,00,00,000/- by creation of additional 13,00,000 equity shares of Rs.100/- each. Consequently the Memorandum and Articles of Association of the Company need alteration. Accordingly the said Resolutions are submitted for your approval.

Inspection of Documents:

A copy of existing Memorandum and Articles of Association of the Company together with a copy of the proposed alterations to the Clause V of the Memorandum of Association as set out in the Special Resolution under Item No.8 of the Notice and Clause 12(a) of the Articles of Association has set out under Item No.9 of the Notice are open for inspection at the Registered Office of the Company during business hours on any working day.

Interest of Directors:

None of the Directors of the Company is interested in the Resolution.

Item No.10

The present equity Share Capital of the Company is Rs.6,09,57,600/-. The accumulated free reserves as on 31st March, 1997 is Rs.146,65,18,168/-.

It is therefore proposed that a portion of the accumulated free reserves amounting to Rs.6,09,57,600/- be capitalised and

LAKSHMI MACHINE WORKS LIMITED

the same be applied by issue of new fully paid equity shares of Rs.100/- each credited to the holders of the equity shares of the Company as bonus shares. The Bonus Shares on allotment will rank paripassu in all respects with the existing issued equity shares of the Company. The shares shall be entitled to dividend from the financial year in which they are allotted.

An application will also be made by the Company to Reserve Bank of India for approval to the issue of Bonus Shares to the non-resident members of the Company under the Foreign Exchange Regulation Act, 1973.

The proposed issue of Bonus Shares will not be in lieu of dividend. The new Bonus Shares will rank paripassu in all respects with the existing equity shares of the Company save and except that they shall participate in any dividend in full that may be declared in respect of the financial year commencing from 1st April, 1997 but not earlier.

Accordingly the said resolution is submitted for your approval.

Interest of Directors:

All the Directors of the Company are concerned or interested in this resolution to the extent of their shareholdings in the Company.

Item No.11 & 12

Sri R.Venkatrangappan and Sri Sanjay Jayavarthanavelu were appointed as Wholetime Directors of the Company for a period of three years with effect from 3rd June, 1994 and the same was approved by the shareholders at 31st Annual General Meeting. The term of their office expired on 2nd June, 1997 and in the interest and progress of the Company, they should be reappointed for a further period of five (5) years from 3rd June, 1997.

Accordingly the said Resolutions are submitted for your approval.

Sri R.Venkatrangappan and Sri Sanjay Jayavarthanavelu, Wholetime Directors are liable to retire by rotation.

Interest of Directors:

No other Director other than Sri R.Venkatrangappan is concerned or interested in his appointment as wholetime Director.

Dr D.Jayavarthanavelu, Chairman and Managing Director and Sri Sanjay Jayavarthanavelu, Wholetime Director are concerned or interested in the appointment of the later as Wholetime Director. No other Director of the Company is concerned or interested in the proposed appointment of Sri Sanjay Jayavarthanavelu as Wholetime Director.

Item No.13 & 14

India Precision Bearing Mfrs. Limited (hereinafter referred as 'IPBM' or 'the Transferor Company') became a sick industrial company as the entire networth of the Company was eroded as early as June 30, 1988. Hence, reference was made to the Board for Industrial and Financial Reconstruction (BIFR) under the Provisions of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) for the revival of the Company. The Industrial Credit and Investment Corporation of India (ICICI), as an operating agency prepared a Scheme of Rehabilitation which was sanctioned by the BIFR in its order dated 29th March, 1990 under which Lakshmi Machine Works Limited (hereinafter referred to as 'LMW' or 'the Transferee Company') was to play a role as new promoter. The said Scheme of Rehabilitation is currently under implementation.

A Scheme of Amalgamation, shall be placed before the Operating Agency for its approval and the BIFR for its sanction. The primary object of the Scheme is to amalgamate all the assets and liabilities of IPBM with LMW. In view of the existing business association between the companies and what is stated in the Scheme, as approved by your Board of Directors, the amalgamation will be advantageous and beneficial to shareholders of both the companies. The business of both the companies on amalgamation will be carried out more economically, efficiently and beneficially. The Directors consider that the said Scheme shall revive the sick Transferor Company as well as will be for the benefit and in the interest of the Transferee Company. The Directors therefore recommend this Resolution for your acceptance. The Scheme is subject to sanction of BIFR under the provisions of SICA. As such, sanction of the High Court Under Sections 391 and 394 of the Companies Act, 1956 will not be required.