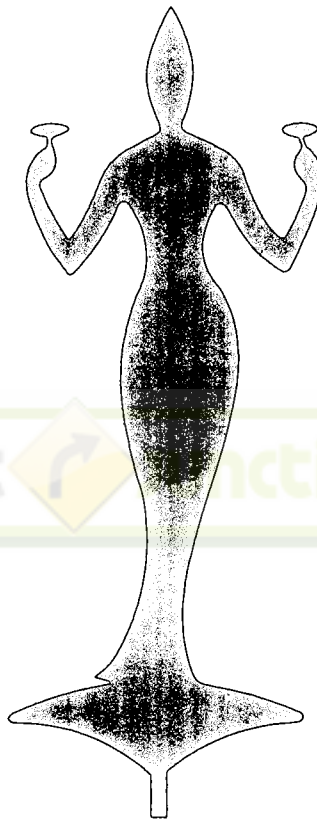


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AGM	<input checked="" type="checkbox"/>		SH	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>



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LAKSHMI MACHINE WORKS LIMITED

35th ANNUAL REPORT - 1997 - 98



LAKSHMI MACHINE WORKS LIMITED

Regd. Office : Perianaickenpalayam, Coimbatore - 641 020.



PROXY FORM

I / We
 of..... in the District of.....
 being a Member / Members of the above named Company hereby appoint
of in the District of
or failing himofin
 the District ofor failing himofin
 the District ofor failing himofin
 the District ofas my / our proxy to vote for me / us on my/ our behalf at the Annual
 General Meeting of the Company to be held on Friday the 4th September, 1998 at 3.00 p.m. and at any
 adjournment thereof.

Signed this..... day of1998.

Signature.....

Affix 30
paise
Revenue
Stamp

L.F. No.....

No. of Share(s) held.....

Note : The proxy must be deposited at the Registered Office of the Company at Perianaickenpalayam, Coimbatore 641 020 not less than 48 hours before the time for holding the Meeting.

LAKSHMI MACHINE WORKS LIMITED

Regd. Office : Perianaickenpalayam, Coimbatore - 641 020.

ATTENDANCE SLIP

I hereby record my presence at the Annual General Meeting held at Nani Kalai Arangam, Mani Higher Secondary School, Pappanaickenpalayam, Coimbatore - 641 037 on Friday the 4th September, 1998 at 3.00 p.m.

1. L.F No.
2. FULL NAME OF THE SHAREHOLDER
(IN BLOCK LETTERS)
3. NO. OF EQUITY SHARES HELD:
4. SIGNATURE OF THE SHAREHOLDER
OR PROXY ATTENDING:

PLEASE GIVE FULL NAME OF THE 1ST JOINTHOLDER

Mr/Mrs/ MISS.....
 (TO BE USED ONLY WHEN FIRST NAMED SHAREHOLDER IS NOT ATTENDING)

NOTE : PLEASE FILL IN THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE HALL..





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

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

G.K.D. INSTITUTE FOR TECHNOLOGICAL RESOURCES

Arasur,
Coimbatore - 641 407

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
CITI BANK N.A.
ABN. AMRO BANK N.V.
BANK OF NOVA SCOTIA
HDFC BANK

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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Thirty Fifth Annual General Meeting of the Shareholders of Lakshmi Machine Works Limited, Coimbatore - 641 020 will be held on Friday, the 4th September, 1998 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 1998, 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. R. V. Subrahmanian who retires by rotation and being eligible offers himself for re-appointment.
4. 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.
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 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. Subbuchar & 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 4th September, 1998'.

SPECIAL BUSINESS :

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

RESOLVED that subject to all applicable provisions of the Companies Act, 1956, including any statutory modifications or reenactment thereof for the time being in force and as may be enacted from time to time and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions and which may be agreed to or accepted by the Board of Directors of the Company, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to acquire / purchase any of its own shares on such terms and conditions in such manner and upto such limits as may be prescribed by law from time to time.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to do all such acts and things and deal with all such matters and take all such steps in this regard as it may, in its absolute discretion deem necessary, fit or proper to implement the resolution.

Place : Coimbatore - 641 020
Date : 26th June, 1998

By Order of the Board
K.V. Raman
Company Secretary

LAKSHMI MACHINE WORKS LIMITED

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 Cheques / Demand Drafts to the Secretarial Department at the Registered Office of the Company quoting their respective folio number.
4. Members are requested to intimate their change of address, if any, to the Secretarial Department at the Registered Office of the Company quoting their respective folio numbers.
5. The Register of Members of the Company will remain closed from Tuesday, the 18th August, 1998 to Friday, the 4th September, 1998 (both days inclusive). The dividend as recommended by the Board, if sanctioned at the Meeting, will be paid to those Members (or their mandantees) whose names appear on the Register of Members on 4th September, 1998, without deduction of tax.
6. Pursuant to Section 205-A of the Companies Act, 1956, all unclaimed dividends for the financial year ended 31st March, 1995 shall be transferred to the General Revenue Account of the Central Government before 14.08.1998. Shareholders who have not encashed the dividend warrants for the said period are requested to write to the Secretarial Department at the Registered Office of the Company for claiming the dividend before 14.08.1998. After that date, the Shareholders are to claim the dividend from the Registrar of Companies, Tamilnadu, Coimbatore.
7. 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 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.

EXPLANATORY STATEMENT IN TERMS OF SECTION 173 OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEM No. 7.

At present companies are not permitted to buy back its own shares. The Companies Bill, 1997 seeks to lay down the operative provisions to regulate the buy back of its own shares by companies. Hence it is expected that in due course of time, law would be amended to allow such buy back subject to certain conditions. Such buy back of shares, if permitted, is expected to enhance the shareholders value. Hence the Directors feel that it would be desirable to have an enabling power from the shareholders for this purpose.

The buy back will be met out of the free reserves and/or out of the proceeds of an issue specifically made for this purpose. The shares so bought back shall be dealt with as per the prevailing law/regulation.

Your Directors recommend the resolution for approval of the shareholders.

Interest of Directors :

None of the Directors of the Company is in any way concerned or interested in the resolution.

Place : Coimbatore - 641 020
Date : 26th June, 1998

By Order of the Board
K.V. Raman
Company Secretary



DIRECTORS' REPORT TO SHAREHOLDERS

Dear Shareholder

Your Directors have pleasure in presenting the Thirty Fifth Annual Report of your Company together with the audited accounts for the year ended 31st March, 1998.

FINANCIAL RESULTS

	1997-98 Rs.	1996-97 Rs.
Gross Profit	88,02,82,676	102,53,11,143
Depreciation	48,87,65,319	61,74,81,715
Net profit	39,15,17,357	40,78,29,428
ADD : Excess provision of depreciation for prior years reversed	12,49,93,320	---
	51,65,10,677	40,78,29,428
LESS : Donation	83,51,605	1,31,47,415
	50,81,59,072	39,46,82,013

APPROPRIATIONS

Provision for Taxation	13,25,00,000	17,00,00,000
Dividend Tax for prior year	36,57,456	---
Proposed Dividend	3,65,74,560	3,65,74,560
Provision for Dividend Tax	36,57,456	---
General Reserve	3,73,00,000	18,81,07,453
Balance carried to profit and loss A/c	29,44,69,600	---
	50,81,59,072	39,46,82,013

DIVIDEND

Your Directors recommend payment of Dividend at 30% on the equity share capital of Rs. 12,19,15,200/-, enhanced after the issue of Bonus shares, for the year ended 31st March, 1998. The Dividend if approved will be paid to those members or their mandatees whose name appear on the Register of Members on 4th September, 1998, without deduction of tax.

OPERATIONS

During the year under review, the Company has achieved a turnover of Rs. 51420.00 lakhs (1996-97 Rs. 53893.00 lakhs) resulting in a net profit of Rs. 3915.17 lakhs (1996-97 Rs. 4078.29 lakhs).

TEXTILE MACHINERY

Since the introduction of liberalisation programme, capital goods industry continues to have stiff competition and particularly the textile machinery industry is affected very much due to the liberal import of second hand machinery which continues to be unabated. Further the duty cuts on imports, an on-going process since 1991, made the imported machineries cheaper and attractive. The machineries which can be imported at 20% in the normal course

LAKSHMI MACHINE WORKS LIMITED

and 0 to 10% under EPCG Scheme, coupled with higher import duties on raw materials, components and local levies, the Indian textile industry found it attractive to import the machinery, more so second hand machinery than going in for domestic machineries. The foreign manufacturers set up joint ventures with their own manufacturing facilities in India.

The textile industry is facing the grim situation of increased cost of raw material and reduced yarn prices.

Even in the recent budget, the import duty has been reduced from 20% to 10% on specified machinery whereas similar reduction in import duty is not available for raw materials and components. Restrictions on availing 100% modvat credit adds to the woes of textile machinery industry. In this circumstances the textile machinery manufacturers are unable to run their units to full capacity.

With the above background in view, your Directors feel that the performance of your company is satisfactory.

MACHINE TOOL AND FOUNDRY

Due to the slack demand in the economy as a whole, particularly in the engineering and auto industry, besides dumping by the foreign machinery manufacturers, the off-take of domestically manufactured machinery has drastically reduced thus affecting the growth and profit margin of this division. Your company has exhibited new model CNC machines in the recently concluded IMTEX exhibition at New Delhi. Your company was presented with the most innovative display award among the Indian and foreign participants. Your Directors feel that this will also bring in more orders. Your Company's collaborators Mikron has assured that it will increase the quantity of the machines including new model machines under buy back arrangement.

Your company has identified new customers for machined castings in domestic and overseas markets and the response is encouraging.

EXPORTS

During the year under review the Company's export turnover was Rs. 2953 lakhs (1996-97 Rs. 5722 lakhs). The reduction in turnover is due to the general recessionary trend prevailing throughout the world and the economic crisis in the Far Eastern countries. As a strategy, we are now concentrating our efforts in the new markets of Mexico, Turkey, African countries etc.

RESEARCH AND DEVELOPMENT

During the year the newly developed prototype machines of Speed Frames and Ring Frames were exhibited in Otemas, 1997, Japan which was appreciated. The commercialisation of the above is in progress and your company feels that they will be well received in the market.

Our main focus and thrust continues to be in Research & Development activities in tune with the growth prospects of the industry.

AWARDS

During the year under review, your company received highest overall export award for export performance during 1996-97 from the Federation of Indian Textile Engineering Industry and Regional Special Shield for outstanding export performance during 1995-96 from Engineering Export Promotion Council.