

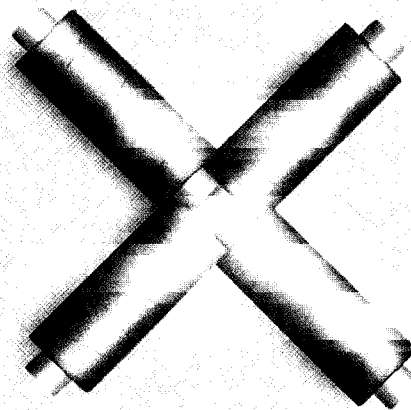


LMW

LAKSHMI MACHINE WORKS LIMITED

42nd ANNUAL REPORT 2004 - 2005

Multiplying Solutions



Multiplying Relationships

Report  junction.com

Doing business with a technology savvy business partner is fine. But you need a partner who understands your specific needs. A partner who places as much emphasis on technology as on relationships.

You need a partner like LMW.

No one understands your business better than LMW. When you buy our textile spinning machines, CNC lathes, machining centers, castings or project services, you are buying into a 40-year track record of competence.

At our ISO 9000 certified, state-of-the-art facilities, substantial investments have

been made in Research & Development. Besides, we have an in-house pilot plant and foundry giving us the ability to design, develop and deliver globally benchmarked quality. We combine this with an in-depth understanding of your needs, to give you products and services that are tailor-made for you.

With a range of new products on the anvil, we have become a single point reference for machines you can rely upon, to give you quality and cost-effectiveness. A perfect dual edge to improve your company's bottomline.

Our adherence to schedules and high machine uptime have made us an established name in the textile machinery market. Not surprisingly, we have a huge list of over 1,000 customers, 80% of whom have trusted us with repeat orders.

We are also India's No.1 exporter of textile machinery, supplying over one million spindles annually.

With each passing year more and more companies in Asia, Africa and South America entrust us with their business.

Are you ready to forge a partnership with us?



LMW

LAKSHMI MACHINE WORKS LIMITED

Trust us with your business.

Perianaickenpalayam, Coimbatore - 641 020, India. Phone: 0422 - 2692371 to 379. Fax: 0422 - 2692541, 2692702.

Website: <http://www.lakshmach.com> . E-mail: sales@lmw.co.in / exports@lmw.co.in

Mudra South: LMW: 7311: 05



LAKSHMI MACHINE WORKS LIMITED

CONTENTS

• Notice to Shareholders.....	4
• Directors' Report.....	6
• Management Discussion and Analysis Report.....	16
• Corporate Governance Report.....	19
• Auditors' Report	27
• Accounts	31
• Corporate Information.....	51



REGISTERED OFFICE

Perianaickenpalayam
Coimbatore 641 020
Tel : 0422-2692371-79'
5512255
Fax : 0422-2692541-42
E-mail : regd.off@lmw.co.in

CORPORATE OFFICE

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

BANKERS

 reportjunction.com

Indian Bank
Bank of Baroda
Indian Overseas Bank
Citibank n.a.
ICICI Bank Ltd.
HDFC Bank Ltd.
IDBI Bank Ltd.
Standard Chartered Bank

SHARE TRANSFER AGENTS

SKDC Consultants Limited
Post Box No. 2979
11, S.N.Layout, Street No.1
West Power House Road
COIMBATORE 641 012
Phone : 5549995
Fax : 0091-0422-2499574
E-mail : info@skdc-consultants.com



LAKSHMI MACHINE WORKS LIMITED

ANNUAL REPORT 2004 - 2005

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)
- 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. Subbchar & Srinivasan
Chartered Accountants, Coimbatore



NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Forty Second Annual General Meeting of the Shareholders of Lakshmi Machine Works Limited, Coimbatore - 641 020 will be held on Monday, the 25th July, 2005 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, 2005, 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. Satagopan, 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.

Place : Coimbatore
Date : 01.06.2005

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 THE PROXY NEED NOT BE A MEMBER.

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.

2. 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, 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.



3. The Register of Members of the Company will remain closed from Saturday, the 16th July, 2005 to Monday, the 25th July, 2005 (both days inclusive).
4. 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 of the Company on 25th July, 2005. 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 15th July, 2005. No deduction of tax at source will be made from dividend.
5. Pursuant to Section 205-C 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 97-98, 98-99, 99-2000, 2000-2001, 2001-02, 2002-03 and 2003-04 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 1997-98 comes to an end on 3rd September, 2005. 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.
6. 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, Bhuvaneshwar, Chandigarh, Chennai, Coimbatore, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkatta, Mumbai, Nagpur, New Delhi, 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 dividend through ECS for the year 2004-2005 should be lodged with M/s. SKDC Consultants Limited on or before 10.07.2005.
7. 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.
8. Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.



DIRECTORS' REPORT TO SHAREHOLDERS

Dear Shareholders,

Your Directors have pleasure in presenting the Forty-second Annual Report of your Company together with the audited accounts for the year ended 31st March, 2005.

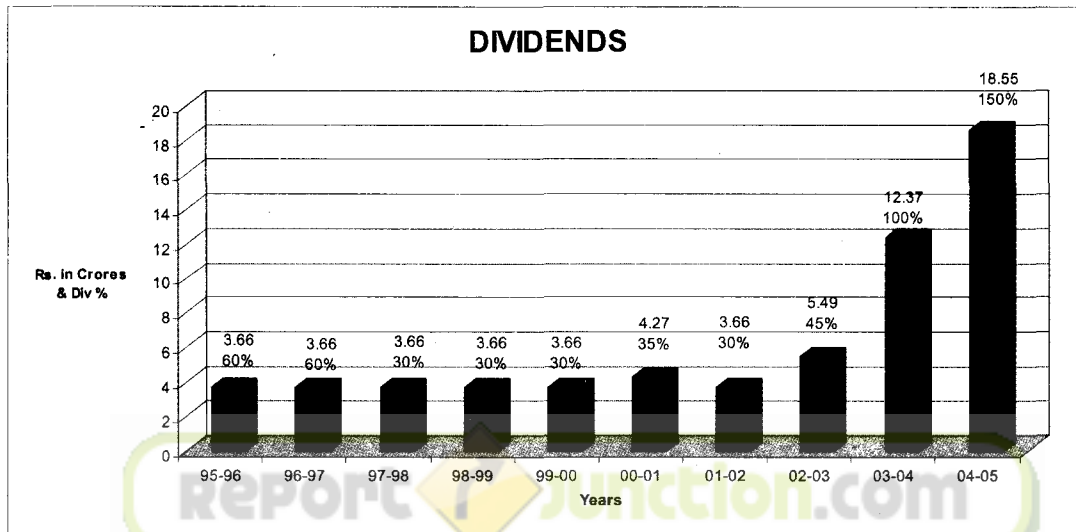
Rupees

FINANCIAL RESULTS		
	2004-05	2003-04
Gross Profit	1,472,228,063	1,135,864,202
Depreciation	363,388,945	531,462,801
Profit before tax & Extra-ordinary items	1,108,839,118	604,401,401
Less: Extra-ordinary items	...	12,528,965
Profit before tax	1,108,839,118	591,872,436
Less: Provision for income tax-Current Tax	250,000,000	10,000,000
Deferred Tax	125,484,405	(20,342,547)
Profit after tax	733,354,713	602,214,983
Add : Transfer from Investment Fluctuation Reserve	589,615,684	...
Less : Loss on sale of quoted investments	583,805,804	...
Prior year Taxes	4,402,183	19,592,284
Add : Balance brought forward from Profit & Loss A/c	1,049,392,185	671,310,088
Total	1,784,154,595	1,253,932,787
APPROPRIATIONS		
Proposed Dividend	185,538,750	123,692,500
Tax on Dividend	26,021,810	15,848,102
Amount Transferred to General Reserve	75,000,000	65,000,000
Balance carried to profit and loss A/c	1,497,594,035	1,049,392,185
Total	1,784,154,595	1,253,932,787



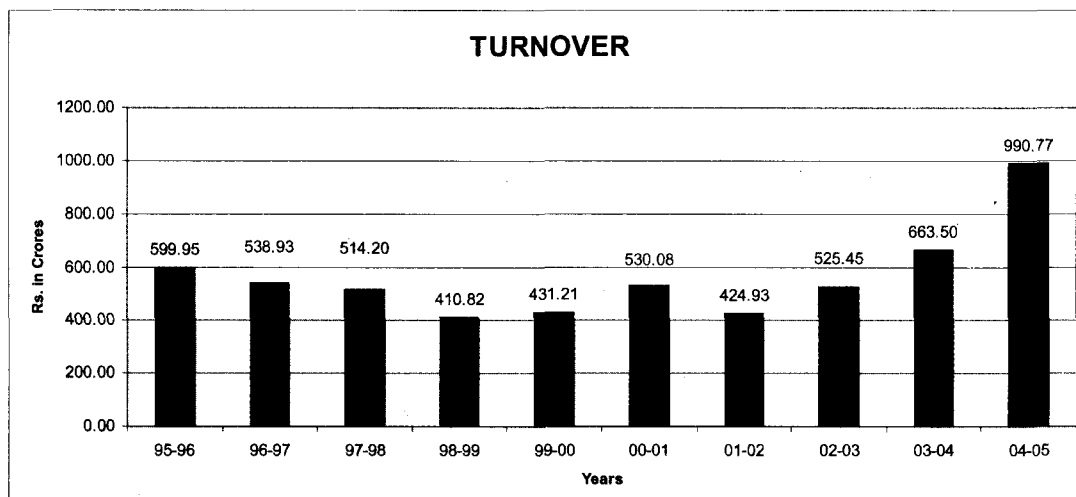
DIVIDEND

Your Directors recommend payment of dividend at 150% on the equity share-capital of Rs.12,36,92,500/- for the year ended 31st March, 2005. The dividend if approved will be paid to those members or their mandatees whose name appear on the Register of Members on 25th July, 2005 for those holding shares on physical form and at the end of the business hours on 15th July, 2005 for those holding shares on Demat form, without deduction of tax.



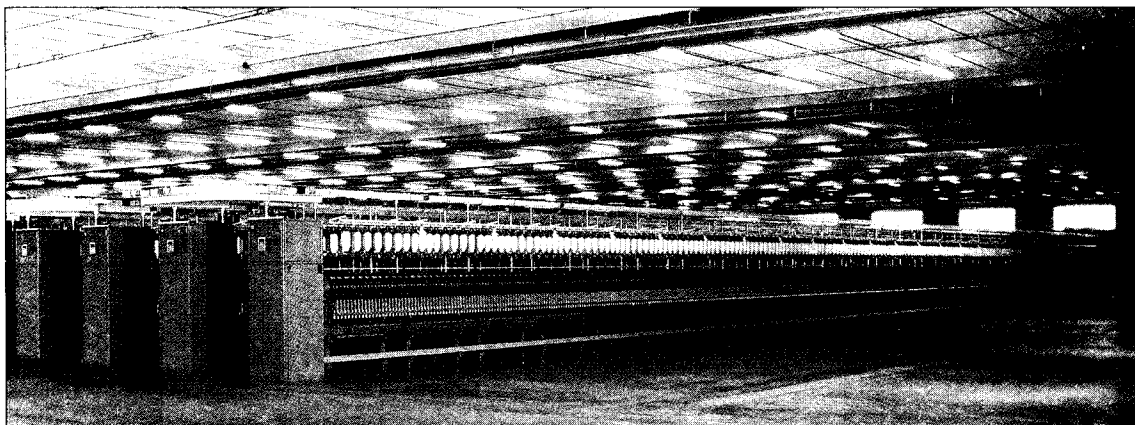
OPERATIONS

During the year under review, the Company has achieved a turnover of Rs.99,077.06 lakhs (2003-2004 Rs.66,349.97 lakhs) resulting in a net profit of Rs.11,088.39 lakhs (2003-2004 Rs.5,918.72 lakhs) before taxation. The increased demand for all the products manufactured by your Company enabled to achieve 53% growth in sales in Textile Machinery, Machine Tools and Castings.





TEXTILE MACHINERY DIVISION



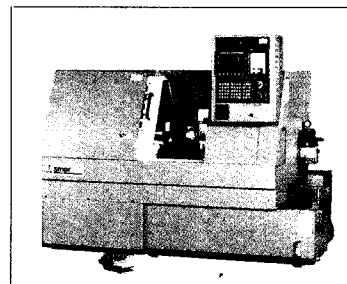
The Indian textile spinning industry had stepped up their investment plans in modernisation, upgradation and expansion of their facilities to integrate itself into the global market in the post quota regime. As a measure of backward integration, many knitting and weaving mills are establishing spinning units to meet their yarn requirements and the Technology Upgradation Fund Scheme benefited for a faster growth. The perspective plan for increase of global market share in Textiles to 7% will trigger demand for yarn considerably resulting in increasing the capacity. The new products developed and introduced in market are all well accepted by the customers. The sudden spurt in demand for spinning machinery resulted in stretching the delivery period. However your Company is taking effective steps to cut short the delivery period in order to meet the customers requirements.

The Turnover of Textile Machinery Division during the year under review is Rs.83,544.76 lakhs as against Rs.56,390.52 lakhs during last year recording an increase of 48% over the previous year.

MACHINE TOOL DIVISION

The demand for CNC machine tools have increased during the year under review. The booming automobile and auto ancillary industry and other engineering industry had contributed to the increased demand for machine tools. This division sold 550 machines during the year under review as against 340 machines during the previous year.

Turnover of this division during the year under review is Rs.10,082.50 lakhs as against Rs.6,339.15 lakhs during the last year.



FOUNDRY DIVISION

High Pressure and quality castings are in great demand and this division had performed well during the year under review. The specialized type of castings manufactured by this division enabled it to remain as a single source of supply to customers in USA and Germany. Siemens, Germany have recommended us for the development and supply of castings to their metro project in India. This division also supplied castings to France and Finland.

