



LAKSHMI MACHINE WORKS LIMITED

ANNUAL REPORT 2009-10



Dr. D. JAYAVARTHANAVELU

02.07.1940 - 11.06.2010



LAKSHMI MACHINE WORKS LIMITED

47th Annual Report - 2009-10

BOARD OF DIRECTORS

Dr.D.Jayavarthanavelu	: Chairman and Managing Director (03-04-1970 to 11-06-2010)
Sri.M.V.Subbiah	: Director
Justice Sri.G.Ramanujam(Retd.)	: Director
Justice Sri.S.Natarajan(Retd.)	: Director
Sri.S.Pathy	: Director
Sri.R.Satagopan	: Director
Sri.Basavaraju	: Nominee Director of LIC
Sri.R.Venkatrangappan	: Wholetime Director
Sri.Sanjay Jayavarthanavelu	: Wholetime Director

Sri.R.Rajendran	: Chief Financial Officer
Sri.K.Duraisami	: Company Secretary

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 : 2221680-82
Fax : 2220912
E-mail: secretarial@lmw.co.in
: investors@lmw.co.in

AUDITORS

M/s.M.S.Jagannathan & Viswanathan
Chartered Accountants, Coimbatore

M/s.Subbuchar & Srinivasan
Chartered Accountants, Coimbatore

BANKERS

Indian Bank, Bank of Baroda
Citibank N.A., HDFC Bank Limited
IDBI Bank Limited,
Standard Chartered Bank
Bank of Nova Scotia, Deutsche Bank

SHARE TRANSFER AGENTS

SKDC Consultants Limited
Kanapathy Towers, 3rd Floor
1391/A-1, Sathy Road, Ganapathy
Coimbatore -641 006
Tel: 6549995, 259835-36 Fax: 2539837
E-mail: info@skdc-consultants.com

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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Forty Seventh Annual General Meeting of the Shareholders of Lakshmi Machine Works Limited, Coimbatore- 641020 will be held on Wednesday, the 28th July, 2010 at 3.30 PM at "Nani Kalai Arangam", Mani Higher Secondary School, Pappanaickenpalayam, Coimbatore-641037, to transact the following business :-

ORDINARY BUSINESS :

1. To consider the Profit and Loss Account for the financial year ended 31st March, 2010, 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 Auditors to hold office till the conclusion of next Annual General Meeting and fix their remuneration.

SPECIAL BUSINESS:

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

RESOLVED that in partial modification of the special resolution passed at the Annual General Meeting held on 27.07.2009 and 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, including any amendments, modifications and re-enactments thereof the remuneration payable to Dr.D.Jayavarthnavelu, Managing Director for the period from 1st April, 2010 to 31st March, 2015 be and is hereby revised as set out below:

Remuneration:

- i) Salary : Rs.7,50,000/- p.m.
- ii) Commission: 2% of the net profits payable annually
- iii) Perquisites :

In addition to the salary and commission, the Managing 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 Company, such perquisites being restricted to Rupees Ninety 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 as per rules of the Company, to the extent it is 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 Managing 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 purposes shall be billed by the Company to the Managing 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.

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

RESOLVED that in partial modification of the special resolution passed at the Annual General meeting held on 18th August, 2006 and 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, including any amendments, modifications and re-enactments thereof, the remuneration payable to Sri.R.Venkatrangappan, Wholtime Director for the period from 1st April, 2010 to 2nd June, 2012 be and is hereby revised as set out below:

Remuneration:

- i) Salary : Rs.5,00,000/- p.m.
- ii) Commission : 1% of the net profits 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 Company, such perquisites being restricted to Rupees Sixty 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 as per rules of the Company, to the extent it is 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 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 partial modification of the special resolution passed at the Annual General meeting held on 18th August, 2006 and 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, including any amendments, modifications and re-enactments thereof, the remuneration payable to Sri Sanjay Jayavarthanavelu, Wholtime Director for the period from 1st April, 2010 to 2nd June, 2012 be and is hereby revised as set out below:

Remuneration:

- i) Salary : Rs.5,00,000/- p.m.
- ii) Commission : 1% of the net profits 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 Company, such perquisites being restricted to Rupees Sixty 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 as per rules of the Company, to the extent it is 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 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 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.

By Order of the Board

Place : Chennai
Date : 24.05.2010

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 PERIANAICKEN PALAYAM, COIMBATORE - 641 020 NOT LESS THAN 48 HOURS BEFORE HOLDING THE MEETING.**
3. **Brief resume, details of shareholding of Non-Executive Directors, who retire by rotation and seeking re-election and Directors inter-se relationship as required under clause 49 of the Listing Agreement, are provided under the Corporate Governance Report.**
4. 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 to M/s SKDC Consultants Limited, Kanapathy Towers, 3rd Floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore - 641 006 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.
5. The Register of Members and share transfer books of the Company will remain closed from, Friday the 16th July, 2010 to Wednesday, the 28th July, 2010 (both days inclusive).

6. The dividend recommended by the Board, if declared at the AGM will be paid to those members or their mandatees whose name appear on the Register of Members of the Company on 28th July, 2010. In respect of 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, 2010. No deduction of tax at source will be made from dividend.
7. Pursuant to Section 205C of the Companies Act, 1956, unclaimed dividends are to 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 en-cashed/misplaced/not received the dividend warrant for the years 2002-03, 2003-04, 2004-05, 2005-06(interim & final), 2006-07(1st & 2nd interim), 2007-08 (interim & final), 2008-09 are requested to write to M/s SKDC Consultants Limited, Kanapathy Towers, 3rd Floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore - 641 006 for claiming the dividend. Due date for the transfer of the unclaimed dividend of the year 2002-03 to the said fund is 29th August, 2010 and shareholders cannot make a claim after that date.
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.

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

Item No.6:

Dr.D.Jayavarthanavelu was re-appointed as Managing Director for a period of 5 years from 1st April, 2010 to 31st March, 2015 in conformity with Schedule XIII of the Companies Act, 1956 and the same was approved by the shareholders at the 46th Annual General Meeting held on 27th July, 2009 on the same salary and perquisites as was paid to him during his previous tenure i.e. 1st April, 2005 to 31st March, 2010.

In view of the low interest accruals and erosion of money value due to inflation over a period of time, the Company has dispensed with the contribution to Superannuation Fund. To compensate the same, to align with the remuneration trend prevailing in the industry and to adequately compensate for the increased role and responsibilities, it was proposed by the Board of Directors to revise the remuneration payable to the Managing Director.

Board of Directors by a Circular Resolution dated 7th May, 2010 had proposed to revise the remuneration payable to Dr.D.Jayavarthanavelu, Managing Director and advised the Remuneration Committee of Board of Directors to fix his remuneration. The Remuneration Committee at its meeting held on 13th May, 2010 had fixed the remuneration as set out in the resolution. Board of Directors at their meeting held on 24th May, 2010 had approved the revised remuneration. Accordingly the said resolution is submitted for your approval.

Interest of Directors

Dr.D.Jayavarthanavelu, Managing Director and Sri Sanjay Jayavarthanavelu, Wholetime Director, are concerned or interested in revision of the remuneration of the former. No other Director of the Company is concerned or interested in the resolution.

Item Nos.7 & 8 :

Sri.R.Venkatrangappan and Sri.Sanjay Jayavarthanavelu were re-appointed as Wholetime Directors for a period of 5 years from 3rd June, 2007 to 2nd June, 2012 in conformity with Schedule XIII of the Companies Act, 1956 and the same was approved by the shareholders at the 43rd Annual General Meeting held on 18th August, 2006.

In view of the low interest accruals and erosion of money value due to inflation over a period of time, the Company has dispensed with the contribution to Superannuation Fund. To compensate the same, to align with the remuneration trend prevailing in the industry and to adequately compensate for the increased role and responsibilities, it was proposed by the Board of Directors to revise the remuneration payable to the Wholetime Directors.

Board of Directors by a Circular Resolution dated 7th May, 2010 had proposed to revise the remuneration payable to Sri.R.Venkatrangappan and Sri.Sanjay Jayavarthanavelu, Wholetime Directors and advised the Remuneration Committee of Board of Directors to fix their remuneration. The Remuneration Committee at its meeting held on 13th May, 2010 had fixed the remuneration as set out in the respective resolutions. Board of Directors at their meeting held on 24th May, 2010 had approved the revised remuneration. Accordingly the said resolution is submitted for your approval.

Interest of Directors

Except Sri.R.Venkatrangappan and Sri.Sanjay Jayavarthanavelu, Wholetime Directors and Dr.D.Jayavarthanavelu, Managing Director, no other Director of the Company is concerned or interested in the proposed resolutions.

By Order of the Board

Place : Chennai
Date : 24.05.2010

K.Duraisami
Company Secretary

DIRECTORS' REPORT TO SHAREHOLDERS

Dear Shareholders,

Your Directors have pleasure in presenting the Forty-seventh Annual Report of your Company together with the audited accounts for the year ended 31st March, 2010.

FINANCIAL RESULTS :

in Rupees

YEARS	2009-10	2008-09
Gross Profit	2,463,827,001	2,717,883,681
Depreciation	958,206,666	1,176,172,742
Profit Before Tax	1,505,620,335	1,541,710,939
Provision for Income Tax - Current Tax	590,000,000	520,000,000
- Wealth Tax	147,833	165,920
- Deferred Tax (Net)	(140,245,732)	(3,599,138)
- Fringe Benefit Tax	0	11,784,000
- Prior year taxes paid	8,878,744	(55,988,513)
Profit After Tax	1,046,839,490	1,069,348,670
Add/Less : Investment Fluctuation Reserve	607,808,970	(363,191,190)
Balance brought forward	5,243,968,357	4,874,881,938
BALANCE AVAILABLE FOR APPROPRIATION	6,898,616,817	5,581,039,418
APPROPRIATIONS:		
Proposed dividend	185,538,750	185,538,750
Dividend Tax	30,817,986	31,532,311
Transfer to General Reserve	110,000,000	120,000,000
Surplus carried to Balance Sheet	6,572,260,081	5,243,968,357
TOTAL	6,898,616,817	5,581,039,418

DIVIDEND

Your Directors have recommended payment of dividend at Rs.15/- per equity share of Rs.10/- each (150 %) on the equity share capital of Rs.123,692,500/- for the year ended 31st March, 2010 aggregating to Rs. 185,538,750/- and to pay a Dividend Tax of Rs.30,817,986/-. The dividend if approved by the shareholders will be paid to those members or their mandatees whose name appear on the Register of Members on 28th July, 2010 for those holding shares on physical form and as per the details furnished by the depositories as at the end of business hours on 15th July, 2010 for those holding shares on Dematerialized form.

OPERATIONS

During the year under review, your Company has recorded a turnover of Rs.113690.44 lakhs (2008-09 Rs.133801.39 lakhs) resulting in a Net Profit of Rs.15056.20 lakhs before tax (2008-09 Rs.15417.11 lakhs). During the year under review the turnover has declined by 15 % and profit by 2 % respectively over the previous year due to continuation of the recessionary trend that had prevailed in the Textile Sector till the first half of the financial year under review.

TEXTILE MACHINERY DIVISION

The Textile Machinery Division of your Company, during the year under review, has recorded a turnover of Rs. 96473.42 lakhs as against Rs. 117997.54 lakhs