



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
: investorscell@lmw.co.in

AUDITORS

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

M/s.Subbachar & 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, Wholetime 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 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 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.

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, Wholetime 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 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 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.

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

achieved during the last year recording a decline of 18 % over the previous year.

During the first half of Financial Year 2009 -10, the Indian Textile Industry was passing through critical times due to the slow down and lack of new orders from domestic market as well as export orders from US and Europe as a result of the Global Financial Meltdown. Lack of sufficient orders for products along with infrastructure bottlenecks like power shortage have forced the textile mills to shelve investment plans for expansion and/or modernization. Those who had already placed orders for machinery sought delivery postponement or order downsizing. Hence, performance of this Division was affected during the first half of the financial year 2009-10.

However during the second half of the financial year 2009-10, revival of local demand for textile products happened due to a series of economic stimulus measures announced by the Government. Around the same time, similar measures announced across the world led to a revival of global demand as well. Demand pick-up enhanced the confidence of the Indian Textile Spinning Industry to renew plans for investment aimed at modernization and or expansion.

With the Textile Industry being the second largest provider of employment after agriculture in India, Government is showing a keen interest in the development of this sector by inviting Foreign Direct Investment. Leading global textile brands, who were hitherto brand lenders in India have started to announce plans for establishment of their manufacturing facilities locally. This key development is expected to spur the demand for textile machinery in India in the near future.

In order to capitalize on the demand for textile machinery in India, Multinational Companies have started to setup their operations in India. This development will throw a stiff competition in the market.

MACHINE TOOL DIVISION

Turnover of the Machine Tool Division during the year under review was Rs.9480.65 lakhs as against Rs.7331.48 lakhs recorded during the last year showing an increase of 29 % over the previous year.

Machine Tool Division has also seen a demand pick up during the year under review. The Machine Tool

industry in India is expected to grow at the rate of 35% to 40% in the year 2010-11. High growth logged in the automobile and auto component industry, manufacturing and general engineering sector have contributed to this growth.

Your Company has developed eight new prototype machines out of which four machines were commercialized during 2009-10. By continuous Research and Development, your Company is providing improved machinery to suit varied needs of the customer at affordable prices. Responsive after sale services, reduction in customer complaints, reduction in Mean Time to Repair (MTTR) have all enabled this division to get repeat orders from existing customers. Also, during 2009-10 this division had 54% of its turnover come from new clients. As a result of which your Company was able to increase its market share.

As India is fast emerging as an automobile hub with a number of multi-national automobile companies establishing their production facilities locally and also with similar growth happening in the Tool Room Industry, Farm Equipments, Aerospace and Civil Aviation Industry, this sector is expected to have a promising growth in the years to come.

FOUNDRY DIVISION

Foundry Division has recorded a turnover of Rs. 7736.37 lakhs as against Rs.8472.37 lakhs recorded during the previous year showing a decrease of 9% over the previous year. This Division has exported castings worth Rs. 3427.77 lakhs accounting for about 44 % of the turnover.

As the division is engaged in the manufacture of heavy castings, mainly for exports, the global economic recession particularly in the US market, has affected its performance. Further, the power shortage has also resulted in lower capacity utilisation.

The lean manufacturing programme was introduced in this division, to enable value stream mapping that will lead to a continuous performance improvement in the foundry process. Also, internal augmentation in the heavy moulding area has been made to meet future customer needs.

Focussed approach is being made by offering new

products for core industries like power, infrastructure, transportation and defence. This is likely to boost the sales of this division in future.

WIND ENERGY DIVISION

So far your Company has installed 23 Wind Energy Generators with a total installed capacity of 27.95 MW. During the year under review this division has generated 728 lakh units as against the 623 lakh units generated in the previous year. Out of the 728 lakh units 328 lakh units were sold to TNEB and 400 lakh units were adjusted against the power drawn from the TNEB for captive consumption.

The wind power generated by the Company meets a major portion of its power requirements and there by brings about appreciable savings in the energy cost.

ADVANCED TECHNOLOGY CENTRE

In order to utilize the company's engineering capabilities a new Advanced Technology Centre was established during the year to take up manufacture and supply of parts, components and accessories for the aerospace industry, and also to undertake job work for civil and defence sectors. Establishment of essential manufacturing infrastructure for this division is under progress and is expected to commence commercial production shortly.

REAL ESTATE DIVISION

Your Company owns vacant lands in Coimbatore Urban area which can be developed for realty.

The Board of Directors of your Company have approved for the foray in to the real estate business. This division will be engaged in the construction and sale of residential apartments / villas / houses / commercial complexes.

EXPORTS

During the year under review, the Company has achieved an export turnover as indicated below:

- a. Textile Machinery: Rs. 3998.88 lakhs (previous year Rs.5775.66 lakhs)
- b. Castings :Rs. 3427.77 lakhs (previous year Rs.3940.34 lakhs)

Total Rs. 7426.65 lakhs (previous year Rs.9715.99 lakhs)

The fall in export turnover is mainly due to the global economic slow down.

Revival of economic activity in South East Asia and the gradual recovery of the US economy are expected to revive export orders for the Company's products.

RESEARCH AND DEVELOPMENT

It is an established policy of your Company to carry out customer focussed research and development based on the voice of customer. R&D is always aimed at providing user friendly, power saving and high productivity machinery at affordable cost to enhance the competitive strength of the customer. To achieve this end in view, your company has entered into technology transfer arrangements with leading manufacturers and research institutes.

As a result of a focussed research and development activity, Textile Machinery Division of your Company has developed and commercialized the longest ring frame with 1632 spindles and has introduced high performance Roving Frame. These machines were well received in the market.

R&D activity is being carried out vigorously in the Machine Tool Division and a number of new machine tool variants were commercialized. For design and development of high-tech machines your Company is associating with renowned Institutes worldwide.

AWARDS

During the year your Company has received the Regional level "Star Performer in Product Group for 2007-08" award from the Engineering Export Promotion Council.

DIRECTORATE

Sri S Pathy and Sri R Satagopan, Directors will retire by rotation at the ensuing Annual General Meeting, being eligible, offer themselves for re-appointment.

INDUSTRIAL RELATIONS

Relationship with the employees was cordial throughout the year.

JOINT VENTURE: RIETER - LMW MACHINERY LIMITED

During the year under review the Company recorded a turnover of Rs. 6349.16 lakhs (turnover of Rs. 9263 lakhs during 2008-09) resulting in a Net Loss of Rs. 237.27 lakhs (Net Loss of Rs. 859.96 lakhs during 2008-09). The reduction in turnover and the resultant loss was mainly on account of poor off-take of textile machinery globally.

SUBSIDIARY: LMW TEXTILE MACHINERY (SUZHOU) CO.LTD.

Your Company has established a wholly owned subsidiary LMW Textile Machinery (Suzhou) Co Ltd, to establish a green field project in China for the manufacture of textile spinning machinery. The project is situated in the Wujiang Economic Zone, Jiangsu Province in the Peoples Republic of China.

The Company has commenced commercial production during the first quarter of 2010. The company has received orders for 150 machines worth USD 16.60 million and the same is under execution. The subsidiary company's stand alone result is attached elsewhere in the Annual Report.

FIXED DEPOSITS

The Company has not accepted any fixed deposits.

LISTING

Your Company's shares are listed in the Bombay Stock Exchange Limited, Mumbai, and the National Stock Exchange of India Limited, Mumbai and the respective listing fees has been paid.

As approved by the shareholders by a special resolution at the Annual General Meeting held in July, 2009 an application was made to the Madras Stock Exchange Limited for the voluntary de-listing of the shares in September, 2009. The Madras stock Exchange Limited is yet to confirm the de-listing.

AUDITORS

Your Company's Auditors M/s M S Jagannathan & Visvanathan and M/s Subbachar & Srinivasan are to retire at the ensuing Annual General Meeting. They are eligible for reappointment and have consented to act as Auditors of the Company, if appointed and necessary

certificate pursuant to Section 224(1B) of the Companies Act, 1956 has been received from them.

INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956.

Information in accordance with Clause (e) of sub-section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Director's Report for the year ended 31st March, 2010 is given in Annexure-I of this Report.

Information in accordance with Sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of Directors' Report for the year ended 31st March, 2010 is given in Annexure - II of this Report.

ADDITIONAL DISCLOSURES

Management Discussion and Analysis Report, Corporate Governance Report, Segment report, and Related Party Disclosures provided elsewhere in the Annual Report forms a part of this Report as required under the Listing Agreement entered into with the Stock Exchanges.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance of Section-217 (2AA) of the Companies Act, 1956 the Directors of your Company confirm that:

- All applicable Accounting Standards have been followed in the preparation of Annual Accounts and that there are no material departures;
- Such accounting policies have been selected and applied consistently and such judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2010 and of the profit of the Company for the year ended on that date;
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The Annual Accounts of your Company have been prepared on a going concern basis.

GENERAL

Details of Production, Licensed and Installed capacity are annexed to the Balance Sheet as required by Law.

Your Directors thank the customers' for their support and patronage.

Your Directors thank the Company's bankers and Selling Agents for their valuable assistance.

Your Directors record their appreciation of the co-operation and contribution made by the employees at all levels towards the progress of the Company.

On Behalf of the Board

Dr D Jayavarthanavelu

Place: Chennai

Date : 24th May, 2010 Chairman and Managing Director

ANNEXURE - I

INFORMATION PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988.

TEXTILE MACHINERY DIVISION & MACHINE TOOL DIVISION

CONSERVATION OF ENERGY:

For conservation of energy and for the optimum utilization of available energy the following steps were taken:

- i) Energy Monitoring System is installed in all the manufacturing units for the automatic monitoring and conservation of energy.
- ii) Power factor improvement measures are taken by the installation of additional APFC panels
- iii) Air cooled air compressors were installed in the place of water cooled air compressors to reduce the water and power consumption.
- iv) To enhance lighting efficiency and to reduce power consumption reflector roofing is provided to the manufacturing units.

FORM - B

(See Rule 2)

Form for disclosure of particulars with respect to absorption

TEXTILE MACHINERY DIVISION

A. RESEARCH & DEVELOPMENT:

- | | | |
|---|---|---|
| 1. Specific areas in which R & D was carried out by the company | : | New product development carried out for spinning machinery using market data, voice of the customer and latest tools like Design for six sigma (DFSS) |
| 2. Benefits derived as a result of the above R&D | : | Development of high performance cost effective, user friendly machines. |
| 3. Future plan of action | : | Development of new models and improvement in the existing machines as per customer requirements. |
| 4. Expenditure on R & D | | |
| | | Rs. in lakhs |
| a. Capital | : | 252.18 |
| b. Recurring | : | 1,011.42 |
| c. Total | : | 1,263.60 |
| d. Total R & D Expenditure as a percentage of total turnover | : | 1.31 % |

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- | | | |
|--|---|---|
| 1. Efforts in brief, made towards Technology absorption, adaptation and innovation. | : | Domain expertise development, extensive in house and external training in various specializations and skill building exercise, IPR study, Theoretical and actual simulations. |
| 2. Benefits derived as a result of the above efforts, e.g., Product development, import substitution etc., | : | Improvement in the performance of the machine ,enhancement of knowledge base. |
| 3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) | : | |
| a. Technology imported | : | Technology for the manufacture of Roving frame imported from M/s Grossenhainer, Germany. |
| b. Year of Import | : | 2007 |
| c. Has technology been fully absorbed | : | Yes. |
| d. If not fully absorbed, areas where this has not taken place, reasons there for and future plans of action. | : | N.A |

MACHINE TOOL DIVISION

A. RESEARCH & DEVELOPMENT

- | | | |
|---|---|--|
| 1. Specific areas in which R & D was carried out by the Company | : | Turning centres, Vertical Machining centres and Horizontal Machining centres, product support including application engineering and tool design. |
| 2. Benefits derived as a result of the above | : | Development of prototypes and commercialization of new machines. |
| 3. Future plan of action
Product development | : | To strengthen the product range with high value products with high value addition. |
| 4. Expenditure on R & D | | |
| | | Rs. in lakhs |
| a. Capital | : | - |
| b. Recurring | : | 237.61 |
| c. Total | : | 237.61 |
| d. Total R & D Expenditure as a percentage of total turnover | : | 2.51 % |

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- | | | |
|--|---|--|
| 1. Efforts, in brief, made towards technology absorption, adaptation and innovation. | : | Technical tie up with international research institutes, internal and external Training for development of domain knowledge. |
| 2. Benefits derived as a result of the above efforts, (e.g.) product development, import substitution etc. | : | Developed new variants of existing machines , designing of new machines, improving the performance of existing machines. |
| 3. In case of imported technology (imported) during the last 5 years reckoned from the beginning of the financial years) | : | |
| a. Technology imported | : | Technology for the Vertical turning Machine imported from M/s. RASOMA, Germany. |
| b. Year of import | : | 2008 |
| c. Has technology been fully absorbed | : | Under progress |
| d. If not fully absorbed, areas where this has not taken place, reasons there for and future plans of action. | : | N.A |

FOREIGN EXCHANGE EARNINGS AND OUT-GO:

Foreign Exchange earned through exports amount to	:	Rs. 7426.65 lakhs.
Foreign Exchange used	:	Rs. 15795.68 lakhs.

ANNEXURE-II

Statement appended to the Directors' Report pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 & forming part of the Directors' Report for the year ended March 31, 2010

SL.No.	Name	Age Years	Designation / Nature of duties	Remuneration	Qualification	Experience Years	Date of Commencement of employment	Last employment before joining the Company
1	Dr.D.Jayavarthanavelu	69	Chairman and Managing Director	44,552,200	Engineering BS Textiles	40	03.04.1970	---
2	Sri. R.Venkatrangappan	79	Wholetime Director	24,114,488	B.Sc.,B.Com	55	17.08.1984	Lakshmi Textile Exporters Ltd.,
3	Sri. Sanjay Jayavarthanavelu	41	Wholetime Director	24,333,385	M B A	16	03.06.1994	---
4	Sri. R.Rajendran	65	Chief Financial Officer	2,910,238	B.Com,ACA	39	01.04.1971	---

Note: 1. Gross income includes company's contribution to Provident Fund, Superannuation Fund, Gratuity and perquisites and the employment is contractual

2. Sri.Sanjay Jayavarthanavelu, Wholetime Director is related to Dr D Jayavarthanavelu, Chairman and Managing Director.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

I Economy Overview:

The world economy is gradually recovering from the economic meltdown. The strong and vibrant economic performance put up by the Asian economies is aiding the positive trend. According to an IMF report global activity is estimated to expand by 3.10 % in 2010 as against the contraction of 1 % witnessed during 2009. Eventhough the global economy is expanding and conditions have improved markedly the pace and shape of the recovery remains uncertain and the economic activity remains far below pre crisis level.

As per a Central Statistical Organization report, the Indian GDP growth for the first half of 2009-10 is estimated at 6.10% as compared to 7.80% for the same period last year. Industry and the Service sector, barring Agriculture have recovered, thanks to Government's economic stimulus package. The liquidity situation in the country is comfortable, thanks to the RBI maintaining a very prudent watch on key policy issues. However, high inflation rate seems to be a major dampener.

II Segment Review:

The Company has three major segmental divisions namely, the Textile Machinery Division (TMD), the Machine Tool Division (MTD) and the Foundry Division (Foundry). Besides the three major divisions, your Company has a Wind Energy Division and an Advanced Technology Centre. All the divisions are located in and around Coimbatore District of Tamil Nadu, India.

1 Textile Machinery Division

Industry Overview:

Indian Textile Industry occupies a very vital position in the Indian Economy, catering to its domestic demand also partly catering to the export market. Besides, being an independent industry, the Textile Industry value chain offers value creation at every stage of processing thereby generating huge employment opportunities. Textile sector is the second largest provider of employment in India,

next to agriculture, employing around 35 million people. It accounts for 14% of the industrial output and constitutes 27% of the total export earnings. Major consumers of Indian textile products are the US, UK, UAE, Germany, France, Italy, Russia, Canada and Japan.

The Indian textile industry was also worst hit by the financial crisis in US and the European Union; however the domestic demand has helped partially to utilise the capacities. Stimulus initiatives taken by the Indian Government to improve domestic demand situation have yielded good result.

This turn around in the second half of the year under review has encouraged Indian textile mills to renew their investment plans for expansion and modernization.

Prospects:

- Depletion of textile inventory within US and the European markets is an opportunity for Indian Textile Industry – to meet the replacement demand on a global scale Indian Textile Mills need to modernize their manufacturing facilities.
- Domestic demand upsurge because of the ever growing fashion savvy population, compel the textile mills to upgrade their machinery continuously. This opens an opportunity for your Company.
- Continuous upgradation of manufacturing technology and the ability to provide complete range of contemporary textile machinery at a competitive price makes your Company a natural partner of choice.
- In depth experience gained over the years, committed work force with specialized skill sets would enable your Company to grab any challenging opportunity.

Challenges:

- Competition from Multi National Companies.
- Import of second hand machinery

- Global competitors setting up manufacturing base in India.
- Eroding margins due to mounting material, power, labour cost and volatility of the foreign exchange rates.

TMD Segment Performance:

Type of Machinery	No. of Machinery	Value (Rs)
Spinning preparatory machines	1,480	3,698,977,257
Yarn making machines	1,502	4,849,285,674
Accessories and spares		1,019,079,252

Outlook:

Corporate results announced by the Indian textile mills give an encouraging outlook for the Textile Machinery Industry. Changing global scenario is also favourably inclined towards increasing investments. Indian textile sector realizes that unless they are equipped with technologically advanced manufacturing facilities they cannot meet the quality requirements of the global customers. This would compel textile mills to augment their investment in modernization/expansion.

2. Machine Tool Division

Industry overview:

Quality of the mother machine determines the performance of the end product. The Indian Machine Tool industry is well developed to provide technically competitive machines to user industries. Small players in this sector, established by the technocrats with in-house design capabilities, entrepreneurial spirit and lean driven operational flexibility give a greater competitive edge to their customers.

Global auto giants based at US, Europe and Japan have set up their own manufacturing facility in India. Silent growth that is taking place in the aerospace and defence industries has given a fillip to the growth of machine tool industry in India. The demand for high tech machine tools is ever increasing in India. A major portion of that demand currently is being met by imports leaving a greater scope for the development of indigenous machine tool industry.

Prospects:

- Entry of global auto giants into India for setting up of manufacturing base

- Growth of auto ancillary industry and aerospace industry
- Growth in domestic demand and the consequent development of general engineering and manufacturing industry.
- Continuous research and development and the ability to bring new variants matching market requirements.

Challenges:

- Stiff competition from global players in Indian Market.
- Lack of advanced technology matching global competitors
- Cheap imports and domination of unorganized players

MTD Segment performance:

This division has sold 607 machines and accessories during the year for a total value of Rs.9480.65 lakhs and has added 290 new customers to its fold.

Outlook:

Increase in the index of industrial production shows revival of industrial activity in the country. India is becoming the global hub of low cost manufacturing for engineering goods. The capability of your Company to manufacture new and improved variants of the CNC machines, HMC and VMC machines will enable it to grab a sizeable market share in the years to come. The up beat in the economic activity will bring more orders for this division.

3. Foundry Division:

Industry overview:

There is an upsurge in the Indian foundry industry. This industry has recovered much earlier from global recession than any other industry. This is true with the auto and small casting products. However the market for the heavy castings has not improved. Developments in the infrastructure industry, power and transport sectors are expected to bring growth to this segment in the near future.

Prospects:

- Well established brand image having the capacity to manufacture high quality heavy castings

- Adoption of LEAN manufacturing techniques, and ability to manufacture at low cost with trained manpower.
- Upgraded manufacturing technology and the recognition of your Company's Foundry as 'non-polluting' will increase business opportunities

Challenges:

- Continuous increase of input cost
- High cost of transport and warehousing
- Shortage of skilled manpower
- Infrastructure bottlenecks like power shortage

Foundry Segment performance:

This division has sold 6723 MT of ductile iron and grey iron castings valued at Rs. 7736.37 Lakhs during the year under review. Out of the total castings sold about 44% accounting for Rs.3427.77 Lakhs was exported.

Outlook:

Adoption of world class manufacturing technology, introduction of LEAN manufacturing programme, internal augmentation plan in the heavy moulding area, focussed approach on the customers in the domestic and export market will enable this division to perform well during the financial year 2010-11.

III Risk Management

The Company adapts a comprehensive and integrated risk appraisal, mitigation and management process. A separate group called as the Office of Strategy and Risk Management (OSRM) has been formed to identify, evaluate and mitigate risk for the Company. This OSRM team consists of experienced senior officials within the Company. The risk and risk mitigation measures of the Company are being placed before the Board periodically to review and for improvement:

Organization Risk Assessment Matrix:

S. No.	Risk	Risk Category	Risk Mitigation Strategy	Risk Mitigation Measures
1	Sectoral slowdown could impact growth	Economy Risk	Accept - Monitor and address	The Company is actively pursuing plans to enter other Markets where Textile Spinning Industry has a huge presence. Accordingly a green field project in China is established.
2	Power Crisis	Economy Risk	Accept - Monitor and address	The Company is actively pursuing a policy of encouraging the availability of renewable sources of clean energy. Already the Company has established sizeable Wind Energy infrastructure.
3	Enhanced reliance on a particular business division could be detrimental	Control/ Management Risk	Reduce - Institute plans/controls	The Company's business is divided into three segments and each one of these segments is vital to the Engineering Industry. The Company has planned to diversify into new areas like wind energy, aero space and real estate.

S. No.	Risk	Risk Category	Risk Mitigation Strategy	Risk Mitigation Measures
4	Competing forces could dent LMW Market share	Technology/ Marketing Risk	Accept - Monitor and address	The Company has built up a thorough goodwill as an ethical partner who supplies cost-effective quality machinery with an attribute for value addition to the customer. A New Product Development Strategy Execution Group (NPD-SEG) has been constituted to ensure Technological excellence and to retain market share.
5	Products may not find market acceptance	Technology/ Marketing Risk	Avoid - Not allowing the event to happen	The Company closely partners with the customer and the voice of the customers is taken as the base for R&D to build total solutions for their needs. Market Intelligence and enhanced R&D complement the process.
6	Concentration on a handful of clients could hamper business growth	Marketing Risk	Avoid - Not allowing the event to happen	The Company has established a wide client base and no single client accounts for more than 5% of the Company's revenue.
7	Product Failure	Manufacturing / Design Risk	Avoid - Not allowing the event to happen	The Company has instituted a comprehensive process for checking quality and performance of its products at every stage in the multi-stage Design to Commercialization process. Your Company has a Quality Strategy Execution Group (Quality-SEG) to continuously monitor the situation. Also, the Company has an effective Defects & Enhancement Management System (DEMS) in place to ensure quality.

S. No.	Risk	Risk Category	Risk Mitigation Strategy	Risk Mitigation Measures
8	Failure to arrest costs in an inflationary scenario could impact profitability	Commercial Risk	Reduce - Institute plans/ controls	The Company has instituted two groups namely the Cost Strategy Execution Group (Cost - SEG) and the Lean Strategy Execution Group (Lean - SEG) to ensure cost control and prevalence of lean culture throughout the Company. These teams work continuously to ensure product cost control and elimination of waste from the work flow process in order to excel in price performance matrix.
9	Non availability of essential raw materials	Commercial Risk	Reduce - Institute plans/ controls	The Company has a comprehensive global sourcing policy. Critical inputs scenario is continuously monitored and suitable remedial measures are taken immediately.
10	Failure to recover sales proceeds could impact daily operations	Finance Risk	Avoid - Not allowing the event to happen	The Company maintains a policy of taking advances against orders. Also a strict policy of product delivery only against full payment of contracted value is thoroughly followed other than sale of castings where credit is closely monitored.
11	Lack of adequate low cost funds to meet capex requirements could hamper business growth	Finance Risk	Reduce - Institute plans/ controls	The Company has a zero debt status and has utilized internal accruals to fund the capex plans for capacity expansion. Also the liquid funds at the disposal of the Company are judiciously used and conserved for earning non-operating revenue.
12	Human Talent Readiness/ Attrition	HR Risk	Accept - Monitor and address	The Company continuously trains its HR assets to ensure the prevalence of contemporary work knowledge and work culture within the organization. Also, your Company has proper HR Forecasting, Planning and Deployment plans to ensure non-stop availability of qualified manpower across the organization.

S. No.	Risk	Risk Category	Risk Mitigation Strategy	Risk Mitigation Measures
13	Occupational Health & Safety	HR Risk	Avoid - Not allowing the event to happen	The Company strives to provide a healthy and risk-free work environment to all its employees. Suitable measures in association with experts are being taken across the organization to minimise the risks to health and safety. In this regard, Company has applied for and received the OHSAS 18001 certification during the year.
14	Compliance with all regulatory requirements	Legal/ Secretarial Risk	Avoid - Not allowing the event to happen	The Company operates a comprehensive process complete with check lists to ensure that various legal and statutory requirements are complied with. The Legal/Secretarial division of the Company serves as the Compliance Monitoring and Enforcement Wing. Also, suitable committees as required by law have also been constituted to ensure complete compliance.
15	Natural Events	Environment Risk	Share - Partner to reduce risk	The Company's assets are thoroughly protected from all conceivable risks arising from natural events through Insurance. The Company continuously renews policies and monitors to include any new clauses to its existing Insurance Policies that have the potential to cover any new risk/threat perception.

IV Financial Performance

(Rs.)

Particulars	2009-10	2008-09
Gross profit before interest, depreciation, tax	2,463,827,001	2,717,883,681
Interest	-	-
Depreciation	958,206,666	1,176,172,742
Provision for Taxation	458,780,845	472,362,269
Net profit after Tax	1,046,839,490	1,069,348,670
Earnings per share (Amt in Rs.)	85	86

V Internal control system and adequacy

The internal control mechanism of the Company is well documented. This is embodied in the Oracle E-Business suite (ERP system). It is a common practice in your Company to lay down well thought out business plan for each year. From the annual business plan detailed budgets for revenue and capital for each quarter is determined. The actual performance is reviewed in comparison with the budget and deviations, if any, are addressed adequately.

The Company also has an internal audit team commensurate to the size and volume of the business. The internal audit programme covers entire area of functions and activities of the Company.

A Statutory Compliance Audit Team is constituted to check compliance and report to the Management. This facilitates corrective measure to be taken wherever required.

The Audit Committee of Board of Directors meets every quarter to review the reports of Internal and Statutory Audit and to verify all financial statements to ensure compliance.

VI Human Resource

Your Company enjoys the support of committed and well satisfied human capital. Compensation packages offered by the Company, best of class methods in Recruitment, Training, Motivation and Performance Appraisal, attract and retain the best in talent. These practices enable the Company to keep the attrition rate well below the industry average. The Balanced Scorecard System is in place and it measures the performance of every employee. The Company had 3,444 employees at the end of the financial year as on 31st March, 2010

Place : Chennai

Date: 24th May, 2010

On behalf of the Board

Dr D Jayavarthanelu

Chairman and Managing Director

CORPORATE GOVERNANCE REPORT

1. PHILOSOPHY ON CODE OF GOVERNANCE:

The corporate vision of LMW is to deliver world-class customer service by being committed to values. LMW is therefore committed to ethical business conduct of corporate functioning by maximizing customer satisfaction through the delivery of quality products on time and at reasonable prices whilst complying with all regulations, as applicable from time to time, with adequate transparency and accountability. At LMW, the pursuit of perfection is an on-going process enabling it to look back with immense satisfaction on its past achievements and look ahead with confidence to a promising and challenging future. The strategy remains to maintain its leadership position through systematic initiatives in product development giving customers quality products. LMW aims to ensure high ethical standards in all its business activities thereby enhancing its stakeholder's value.

2. BOARD OF DIRECTORS:

The Board of Directors of the Company consists of eminent personalities with many decades of experience to their credit and are high achievers in their respective business / profession. Their commitment to ethical and lawful business conduct, leadership and guidance tune the affairs of the Company in the right direction. The Directors

of the Company possess the highest professional ethics, integrity and values and are committed to the highest standard of governance practices which allow the Company to carry on its business in the long term interest of the stakeholders.

The Company has the practice of determining the dates of Board meetings well ahead to ensure maximum attendance of all Directors. The Board is provided with all information as required under Clause 49 of the Listing Agreement. The primary business of the Board includes determination of strategic policies, annual plans and budgets, capital expenditure, new projects, investment plans, review of performance, statutory compliance, risk management etc. Generally four meetings are held in a year. One meeting is held in each quarter and the gap between two meetings does not exceed four months.

Composition:

Composition of the Board strictly conforms to the provisions of the Companies Act, 1956 and the conditions of the listing agreement. The Board is constituted with a judicious mix of Executive and Non Executive Directors as well as the combination of Independent and Non-Independent Directors. The Board consists of nine Directors, of whom one is the Chairman & Managing Director, two are Wholtime Directors and six are Non-Executive Directors. Out of the six Non Executive Directors, one is a Nominee Director representing LIC as an equity investor.

Position of Board of Directors:

Directors	Position	Other Director-ships	Membership in Committees	
			Chairman	Member
Dr D Jayavarthanelu	Executive-Chairman & Managing Director	10	1	4
Sri M V Subbiah	Non-Executive -Independent	6	1	-
Justice Sri G Ramanujam (Retd.)	Non-Executive -Independent	5	3	5
Justice Sri S Natarajan (Retd.)	Non-Executive -Independent	2	5	1
Sri S Pathy	Non-Executive - Non Independent	10	-	1
Sri R Satagopan	Non-Executive -Independent	1	1	4
Sri Basavaraju	Non-Executive- Independent Nominee of LIC	-	-	-
Sri R Venkatrangappan	Executive - Wholtime Director	9	5	7
Sri Sanjay Jayavarthanelu	Executive -Wholtime Director	8	-	4

Number of chairmanship /membership in committees of all the Directors are within the limits specified in clause 49 (I) (c) (ii) of the listing agreement.

Board Meetings and Attendance:

During the period from 1st April, 2009 to 31st March, 2010 four Board meetings were held on 20th May, 2009, 27th July, 2009, 28th October, 2009 and 25th January, 2010.

Details of attendance of each Director at the meetings of the Board, Share Transfer Committee and AGM held during the financial year ended 31st March, 2010 are as follows:

Directors	Board Meeting (4)*	Share Transfer Committee (12)*	Last AGM Attended (Yes/No)
Dr D Jayavarthanavelu	4	10	Yes
Sri M V Subbiah	3	-	Yes
Justice Sri G Ramanujam (Retd.)	4	-	Yes
Justice Sri S Natarajan (Retd.)	4	-	Yes
Sri S Pathy	3	-	Yes
Sri R Satagopan	4	-	Yes
Sri Basavaraju	4	-	Yes
Sri R Venkatrangappan	4	11	Yes
Sri Sanjay Jayavarthanavelu	4	10	Yes

* The figures within brackets denote the number of meetings held during the period from 1st April, 2009 to 31st March, 2010.

Profile of Directors retiring by rotation, eligible for re-appointment and seeking re-election :

1 Sri S Pathy

Resume:

Sri S Pathy is a commerce graduate, with a vast experience in the field of textiles, textile machinery, finance and administration. He is the Chairman and the Managing Director of the Lakshmi Mills Company Limited, Coimbatore. He also holds directorships in many other companies. He is one of the trustees of the Kuppaswamy Naidu Charity Trust for Education and Medical Relief and was also the executive committee member of the Textile Machinery Manufacturers Association.

Experience:

Sri S Pathy has about four decades of experience in the field of textile and textile machinery.

Other Directorships:

1. The Lakshmi Mills Company Limited
2. Lakshmi Automatic Loom Works Limited
3. LCC Investments Limited

4. Lakshmi Card Clothing Manufacturing Pvt. Limited
5. The Coimbatore Lakshmi Cotton Press Pvt. Limited
6. Sans Craintes Stud Farm Pvt. Limited
7. Sans Craintes Live Stock Pvt. Limited
8. Sans Craintes Racing and Blood Stock Pvt. Limited
9. Rasakondalu Developers Pvt. Limited
10. Sans Craintes Power Private Limited

Membership in Committees:

Lakshmi Machine Works Limited - Audit Committee
- Member

Shareholding: 1420 shares

2 Sri R Satagopan

Resume:

Sri R Satagopan is a graduate in Commerce and a Chartered Accountant. He has worked in LIC, held various positions and retired as the Executive Director. He served on the Board of the Company as the nominee of the Insurance major, LIC, since 1991 and was elected as independent Director in

1999. He has more than 40 years of experience in insurance, finance, investments, accounts, audit and administration.

Other directorships:

1. Super Sales India limited

Membership in Committees:

1. Lakshmi Machine Works Limited
 - Audit Committee - Member
 - Remuneration Committee - Member
2. Super Sales India Limited
 - Audit committee - Chairman
 - Remuneration Committee - Member
 - Shareholders and Investors grievance Committee - Member

Shareholdings: Nil

SHAREHOLDING OF NON-EXECUTIVE DIRECTORS:

Name of the Director	No. of Shares
1. Sri M V Subbiah	- Nil
2. Justice Sri G Ramanujam (Retd.)	- 3300
3. Justice Sri S Natarajan (Retd.)	- Nil

4. Sri S Pathy - 1420
5. Sri R Satagopan - Nil
6. Sri Basavaraju - Nil

REMUNERATION OF DIRECTORS:

The remuneration of Non-Executive Directors is determined by the Board of Directors. The Non Executive Directors are being paid sitting fees @ Rs.10,000 /- per meeting of the Board and Committees thereof attended by them. In addition to the sitting fees Non Executive Directors are also paid a commission, as approved by the shareholders at the Extra-ordinary General Meeting held on 27th July, 2009, at 1% of the net profits subject to a maximum of Rs.3,600,000/- per annum. Subject to the above limits, Board would decide the amount of commission payable to each Director every year.

Remuneration payable to Executive Directors consists of salary, perquisites and commission. Remuneration to Executive Directors are determined by the Remuneration Committee of Board of Directors and approved by the shareholders at the General Meetings. No sitting fee is being paid to the Executive Directors for attending Board meetings and Committee meetings.

Remuneration and sitting fee paid to the Executive and Non Executive Directors during the year ended 31st March, 2010 are as below: (Amount in Rs)

Name	Salary	Perquisites	Sitting fee	Commission	Total
Dr D Jayavarthanavelu	5,400,000	6,213,002	-	32,939,198	44,552,200
Sri M V Subbiah	-	-	30,000	300,000	330,000
Justice Sri G Ramanujam (Retd.)	-	-	110,000	300,000	410,000
Justice Sri S Natarajan (Retd.)	-	-	70,000	300,000	370,000
Sri S Pathy	-	-	60,000	300,000	360,000
Sri R Satagopan	-	-	90,000	300,000	390,000
Sri Basavaraju (Nominee of LIC)	-	-	40,000	300,000	340,000*
Sri R Venkatrangappan	3,600,000	4,044,889	-	16,469,599	24,114,488
Sri Sanjay Jayavarthanavelu	3,600,000	4,263,786	-	16,469,599	24,333,385

* Paid to Life Insurance Corporation of India.

No benefits, other than the above are given to the Directors. No Stock Option, Performance linked incentives and severance fees are given to Directors.

COMMITTEE OF DIRECTORS :

The Board has constituted various Committees of Directors to assist the Board and for smooth and efficient operation of the affairs of the Company. Each Committee is assigned with responsibilities as per the terms of reference fixed by the Board in line with statutory requirements.

(i) Audit Committee:

Audit Committee consists of the following independent Directors:

1. Justice Sri G Ramanujam (Retd.) ...Chairman
2. Sri. S. Pathy
3. Sri. R. Satagopan

Sri K Duraisami, Company Secretary serves as the Secretary of the Committee. The Audit committee would assure to the Board, compliance of adequate internal control system, Accounting Standards and financial disclosure and other issues conforming to the requirements specified by the Companies Act, 1956 and by the Stock Exchanges in terms of Listing Agreement. The committee meets once in every quarter to carryout its business.

The committee met four times during the financial year under review on 20th May, 2009, 27th July, 2009, 28th October, 2009 and 25th January, 2010. Details of attendance of members are as follows:

Date of Meetings and Attendance:

Name of the Member	Attendance of meetings held on :			
	25th May 2009	27th Jul 2009	28th Oct 2009	25th Jan 2010
1. Justice Sri G Ramanujam (Retd.)	✓	✓	✓	✓
2. Sri S Pathy	-	✓	✓	✓
3. Sri R Satagopan	✓	✓	✓	✓

(ii) Shareholders / Investors Grievance Committee:

The committee has been formed to specifically look into shareholders / investors complaints, if any, on transfer of shares, non-receipt of balance sheet, non receipt of declared dividends etc., and also the action taken by the Company on the above matters.

The committee consists of the following Directors as its members:

1. Justice Sri S Natarajan (Retd.) ... Chairman
2. Justice Sri G Ramanujam (Retd.)
3. Sri. Sanjay Jayavarthanavelu

Sri K Duraisami, Company Secretary serves as the Compliance Officer.

During the year, twelve letters / complaints were received from the investors which were replied/ resolved to the satisfaction of the investors. No complaint / query are remaining unresolved as on 31st March, 2010.

The Committee met twice during the financial year ended 31st March, 2010, on 27th July, 2009 and on 25th January, 2010. Details of attendance of members are as follows.

Date of Meetings and Attendance:

Name of the Member	Attendance of meetings held on :	
	27th Jul 2009	25th Jan 2010
1. Justice Sri S Natarajan (Retd.)	✓	✓
2. Justice Sri G Ramanujam (Retd.)	✓	✓
3. Sri Sanjay Jayavarthanavelu	✓	✓

(iii) Shares and Debentures Committee:

The Shares and Debentures Committee consists of the members of the Board, Company Secretary and nominees of Share Transfer Agents. At present there are 7 members in the Committee. The committee reviews and approves transfers, transmission, split, consolidation, issue of duplicate share certificate, recording change of name etc. in equity shares of the Company. The committee had met 12 times during the financial year ended 31st March, 2010.

(iv) Remuneration Committee:

This Committee was formed for determining remuneration payable to Executive Directors and it consists of the following independent Directors:

1. Justice Sri S Natarajan (Retd.)...Chairman
2. Justice Sri G Ramanujam (Retd.)
3. Sri R Satagopan

The Committee had met during the year under review on 13th May, 2010 for revising the remuneration payable to the Managing Director and Whole time Directors.

3. GENERAL BODY MEETINGS:

Information regarding Annual General Meetings and Extra ordinary General Meeting held during the last three Financial Years are given below:

Location	Time	Day	Date
AGM - Nani Kalai Arangam, Mani Higher Sec. School, Coimbatore- 641 037.	2.30 PM	Friday	27 Jul 2007
AGM -do-	3.45 PM	Wednesday	23 Jul 2008
AGM -do-	3.30 PM	Monday	27 July 2009

Details of Special Resolutions passed at the above Annual General Meetings / Extra Ordinary General Meeting:

1. At the AGM held on 27th July, 2007: No Special Resolution was passed.
2. At the AGM held on 23rd July, 2008: No Special Resolution was passed.
3. At the AGM held on 27th July, 2009 the following special resolutions were passed:
 - (i) Approval for payment of commission to Non-Executive Directors
 - (ii) Approval for re- appointment of Dr D Jayavarthanelu as Managing Director
 - (iii) Approval for de-listing of shares of the Company from the Madras Stock Exchange Ltd
4. No Resolution was passed through postal ballot during the year 2009-10

4 DISCLOSURES:

There are no materially significant related party transactions that would have potential conflict with the interests of the Company at large. Details of related party transactions are given elsewhere in the Annual Report.

No penalty or strictures have been imposed on the Company by any Regulatory authority for non-compliance of any laws. No non mandatory requirement is complied with except the constitution of Remuneration Committee. No whistle blower policy is adopted by the Company however no person is denied access to the Audit Committee. In the preparation of financial statements no differential treatment from the prescribed accounting standard is followed.

DISCLOSURE OF DIRECTORS INTER-SE RELATIONSHIPS:

Sri Sanjay Jayavarthanelu, Wholetime Director is the son of Dr D Jayavarthanelu, Chairman and Managing Director and no other Director is related to each other.

5 MEANS OF COMMUNICATION:

The Company publishes its quarterly results in one leading English daily Newspaper having circulation all over India and in a leading Tamil daily News paper having circulation in the District of Coimbatore.

The Company Profile, Corporate information, shareholding pattern at the end of each quarter, code of conduct for Directors and Officers, quarterly and annual Financial Statements, shareholding pattern and Product range are posted in the Company's web-site www.lakshmimach.com

6. SHAREHOLDERS INFORMATION

ANNUAL GENERAL MEETING:

Day & Date : Wednesday, 28th July, 2010

Time : 3.30 PM

Venue : Nani Kalai Arangam, Mani Higher Secondary School, Pappanaickenpalayam, Coimbatore - 641 037.

Financial year	: 1st April to 31st March
Annual Results of 2009-10 announced	: 24th May, 2010
Posting of Annual Reports 2009-10	: On or before 4th July, 2010
Last date of receipt of Proxy forms for above AGM	: 26th July, 2010
Announcement of Quarterly Results for the Financial Year 2010-11	: July-2010, October-2010, January-2011 and May-2011

PERIOD OF BOOK CLOSURE : Friday the 16th July, 2010 to Wednesday the 28th July, 2010
(Both days inclusive)

DIVIDEND PAYMENT DATE : On or before 26th August, 2010

LISTING ON STOCK EXCHANGES:

The equity shares of the Company are listed in:

1. Bombay Stock Exchange Limited, Mumbai
2. National Stock Exchange of India Limited, Mumbai

Pursuant to the special resolution passed by the shareholders at the AGM held on 27th July, 2009 an application was submitted to the Madras Stock Exchange Limited (MSE) for delisting of the shares in September 2009, the application is pending with MSE.

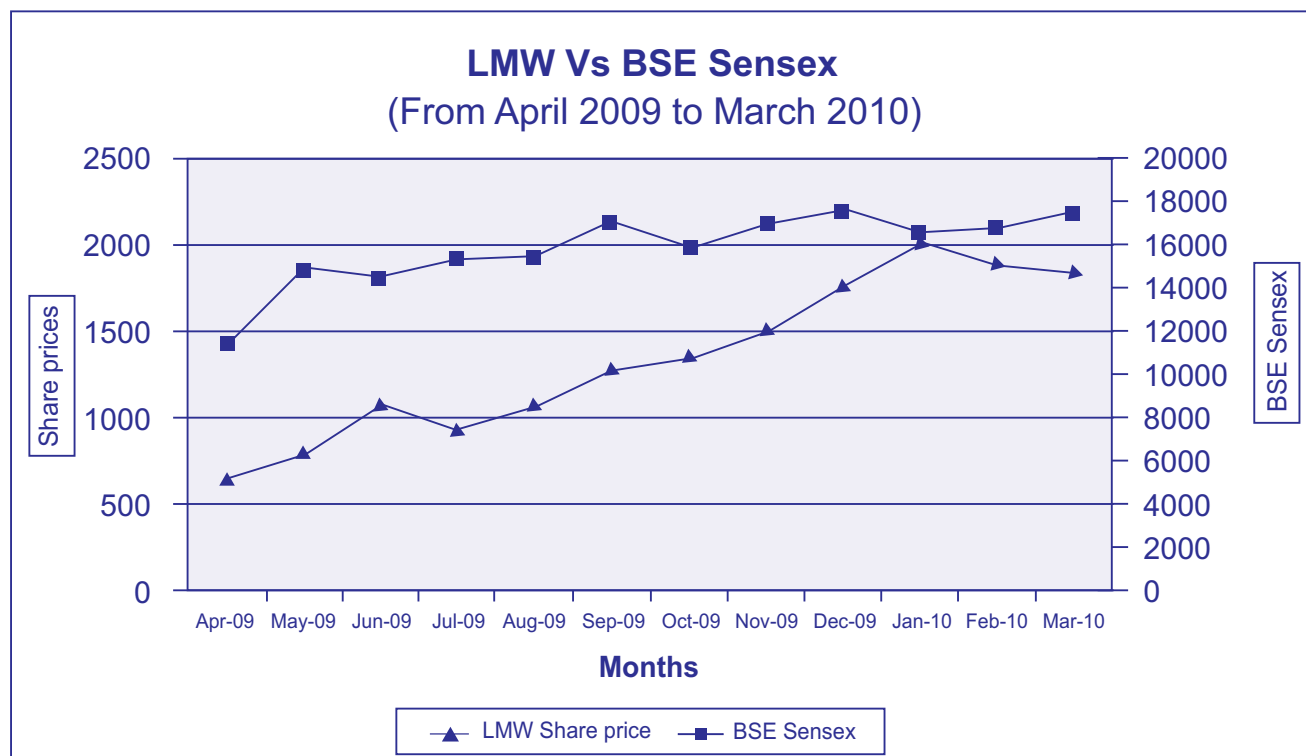
STOCK CODES & ISIN NUMBER

Stock Exchanges	Code No.	ISIN No.
1. Bombay Stock Exchange Limited	500252	INE269 B 01029
2. National Stock Exchange of India Limited	LAXMIMACH	-do-

MARKET PRICE DATA:

The monthly High & Low of Company's share price quoted in NSE / BSE during the financial year 2009-10 are given below:

Month	NSE		BSE	
	High	Low	High	Low
April, 2009	740	503	764	506
May	960	560	964	570
June	1245	938	1261	888
July	1020	750	1040	760
August	1125	950	1153	951
September	1468	1052	1479	1060
October	1425	1271	1500	1215
November	1701	1325	1701	1285
December	1848	1643	1849	1642
January, 2010	2275	1784	2267	1786
February	2050	1720	2018	1715
March	1959	1751	1956	1738

SHARE PERFORMANCE IN COMPARISON WITH BSE INDEX

REGISTRAR & SHARE TRANSFER / DEMAT SHARE TRANSFER SYSTEM: AGENTS:

Share transfer work of the Company both physical as well as demat segment was entrusted to the share transfer agents SKDC Consultants Limited, Kanapathy Towers, 3rd Floor, 1391/1-A, Sathy Road, Ganapathy, Coimbatore – 641006. They are the connectivity providers for demat Segment.

The share transfers are registered and share certificates are returned within a period of 15 days from the date of receipt, if documents are in order. The share transfers are approved by Shares and Debenture Committee.

SHAREHOLDING PATTERN: (as on 31st March, 2010)

Sl. No.	Category	No. of Shareholders	No. of shares held	% to Paid-up Capital
1.	Promoters and Promoters Group	20	3193208	25.815
2.	Financial Institutions, Banks and Mutual Funds	20	326489	2.640
3.	Insurance Companies	4	2132680	17.242
4.	Bodies Corporate (India)	761	1981380	16.019
5.	Directors and relatives	3	35000	0.283
6.	Individuals	33239	2526722	20.430
7.	HUF and others	1006	390194	3.150
8.	Non Resident Indians	375	111619	0.902
9.	Foreign corporate body	1	1631520	13.192
10.	Foreign national	1	240	0.002
11.	FILs	17	40198	0.325
TOTAL		35447	12369250	100.000

DISTRIBUTION OF SHARE HOLDING : (as on 31st March, 2010)

Range (No. of Shares)	No. of shares	Percentage to total No. of shares	No. of Shareholders	Percentage to total No. of shareholders
1-5000	1143585	9.25	34757	98.06
5001-10000	240535	1.94	312	0.88
10001-20000	254663	2.06	173	0.49
20001-30000	146864	1.19	58	0.16
30001-40000	86090	0.70	24	0.07
40001-50000	107049	0.87	23	0.06
50001-100000	291770	2.36	38	0.11
100001 And above	10098694	81.64	62	0.17
Total	12369250	100.00	35447	100.00

DEMATERIALISATION OF SHARES:

As on 31st March 2010, 8430765 equity shares constituting 68.16 percent of the paid up capital of the company has been dematerialized.

7. PLANT LOCATIONS:

The Company's plants are situated at the following locations:

TEXTILE MACHINERY DIVISIONS:

Unit - I	Perianaickenpalayam, Coimbatore - 641 020
Unit - II	Kaniyur, Coimbatore - 641 659
Unit -III	Arasur, Coimbatore - 641 407
Unit -IV	Ganapathy, Coimbatore - 641 006

OTHER DIVISIONS:

Machine Tool Division	Arasur, Coimbatore - 641 407
Foundry Division	Arasur, Coimbatore - 641 407
Foundry and Machine shop	Arasur, Coimbatore - 641 407
Advanced Technology Centre	Ganapathy, Coimbatore - 641 006
Wind Energy Division	Udumalpet (TK), Coimbatore District

8. ADDRESS FOR CORRESPONDENCE:

All correspondence should be addressed to:

The Company Secretary,
Lakshmi Machine Works Limited,
Corporate Office,
34-A, Kamaraj Road,
Coimbatore - 641 018.
E-mail : secretarial@lmw.co.in
investorscell@lmw.co.in

Place : Chennai
Date : 24th May, 2010

For and on behalf of the Board
Dr D Jayavarthanavelu
Chairman and Managing Director

CHIEF EXECUTIVE OFFICER'S DECLARATION ON CODE OF CONDUCT:

I hereby declare that the Board of Directors of the Company have adopted a Code of Conduct for the Board members and Senior Management of the Company and the same has also been posted in the

Company's website and that all the Board members and Senior Management personnel to whom this Code of Conduct is applicable have affirmed the Compliance of Code of Conduct during the year 2009-10.

Chennai
24th May, 2010

Dr D JAYAVARTHANAVELU
Chairman and Managing Director

Auditors' Certificate on Compliance of Conditions of Corporate Governance as per clause 49 of the Listing Agreement with Stock Exchanges.

TO THE MEMBERS OF LAKSHMI MACHINE WORKS LIMITED

We have examined the compliance of conditions of Corporate Governance by Lakshmi Machine Works Limited, for the year ended on 31st March, 2010, as stipulated in clause 49 of the Listing Agreement of the said company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and

according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

On the basis of representation received from the Registrar and Share Transfer agents of the company and on the basis of the records maintained by the Shareholders / Investors Grievance Committee of the company, we state that no investor grievance is pending for a period exceeding one month.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For M S Jagannathan & Visvanathan

Firm Registration No. : 001209S
Chartered Accountants, Auditors

per M J Vijayaraaghavan

(Partner)
Membership No.7534

Chennai
24th May, 2010

For Subbachar & Srinivasan

Firm Registration No. : 004083S
Chartered Accountants, Auditors

per T S V Rajagopal

(Partner)
Membership No. 200380

AUDITORS' REPORT

To the Shareholders of the Company,

1. We have audited the attached Balance Sheet of LAKSHMI MACHINE WORKS LIMITED as at 31st March 2010, the Profit & Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the

company so far as appears from our examination of those books.

- c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
- e) On the basis of the written representations received from the Directors, as on 31st March 2010 and taken on record by the Board of Directors, we report that none of the Directors is, prima facie, disqualified as on 31st March 2010 from being appointed as a Director in terms of Clause (g) of subsection (1) of Section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the statement of significant accounting policies and the notes to the accounts, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - 1) in the case of the Balance Sheet of the state of affairs of the Company as at 31st March 2010 and
 - 2) in the case of Profit & Loss Account, of the Profit of the Company for the year ended on that date.
 - 3) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For M S Jagannathan & Visvanathan
Firm Registration No. : 001209S
Chartered Accountants, Auditors

per M J Vijayaraaghavan
(Partner)
Membership No.7534

Chennai
24th May, 2010

For Subbachar & Srinivasan
Firm Registration No. : 004083S
Chartered Accountants, Auditors

per T S V Rajagopal
(Partner)
Membership No. 200380

ANNEXURE TO THE AUDITORS' REPORT

[Referred to in Para 3 of our Audit Report of even date]

1. In respect of its Fixed Assets:
 - a. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b. The company has physically verified certain fixed assets during the year in accordance with a regular programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals having regard to the size of the company and nature of its assets. According to the information and explanations given to us no material discrepancies were noticed on such verification.
 - c. The company has not disposed off any substantial part of fixed assets during the year that affects the going concern assumption.
2. In respect of its inventories:
 - a. As explained to us, inventories have been physically verified by the management at regular intervals during the year.
 - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - c. In our opinion and according to the information and explanations given to us, the company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification as compared to the book records.
3. (a) The company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (b) During the year the company has given a secured loan of Rs. 9,000,000 to one party and an unsecured loan of Rs. 125,000,000 to one party covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding during the year in respect of the above parties was Rs. 170,000,000 and the year end balance was Rs. 166,400,000.
- (c) In our opinion, the rate of interest and other terms and conditions on which loans have been given are not prima facie, prejudicial to the interests of the company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and nature of its business for the purchase of inventory, fixed assets and also for the sale of goods and services. We have not observed any major weaknesses in internal control systems during the course of our audit.
5. In respect of contracts or arrangements referred to in Sec. 301 of the Companies Act, 1956:
 - a. In our opinion and according to the information and explanations given to us, particulars of such contracts or arrangements have been entered in the register required to be maintained under Sec. 301 of the Companies Act, 1956.
 - b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The company has not accepted any deposits from the public and as such clause (vi) of the Order is not applicable.
7. In our opinion, the company has an adequate internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account and records maintained by the company as applicable to it pursuant to Sec. 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of these records.

9. According to the information and explanations given to us in respect of the statutory dues:

a. The Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Wealth Tax, Service Tax, Sales Tax, Customs

Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities during the year. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at **31st March 2010** for a period of more than six months from the date they became payable.

b. The details of disputed statutory dues are as under:

Name of the Statute	Nature of the dues	Amount [Rs. In lakhs]	Amount paid/adjusted	Forum where dispute is pending
Central Excise Act, 1944	Excise Duty & Penalty	584.96	NIL	Appellate authorities Upto Commissioner's Level -- Rs. 495.75 lakhs CESTAT -- Rs. 67.86 lakhs High Court -- Rs. 21.35 lakhs

10. The company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.

11. In our opinion and according to the information and explanations given to us, the company has not defaulted in the repayment of dues to financial institutions, banks and debenture holders.

12. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the company on the basis of security by way of pledge of shares, debentures and other securities.

13. The company is not a Chit Fund or a Nidhi/Mutual Benefit Fund/society and as such reporting under clause (xiii) of the Order is not applicable to the company.

14. The company is not dealing or trading in shares, securities, debentures and other investments and as such clause (xiv) of the Order is not applicable to the company.

15. According to the information and explanations given to us the company has not given any guarantee for loans taken by others from banks or financial institutions.

16. To the best of our knowledge and belief and according to the information and explanations given to us, no term loans were availed by the company during the year.

17. The company has not raised any funds on short terms basis.

18. The company has not made any preferential allotment of shares during the year.

19. The company has not issued any debentures during the year.

20. The company has not raised any money by public issue during the year.

21. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company was noticed or reported during the year that causes the financial statements to be materially misstated.

For M S Jagannathan & Visvanathan

Firm Registration No. : 001209S

Chartered Accountants, Auditors

per M J Vijayaaraghavan

(Partner)

Membership No.7534

Chennai

24th May, 2010

For Subbachar & Srinivasan

Firm Registration No. : 004083S

Chartered Accountants, Auditors

per T S V Rajagopal

(Partner)

Membership No. 200380

CEO & CFO Certificate

The Board of Directors,
Lakshmi Machine Works Limited,
Coimbatore-641020.

Sub: Annual Confirmation pursuant to Clause 49(V) of the Listing Agreement

As required by Clause 49(V) of the Listing Agreement with Stock Exchanges, we hereby certify that :

- a) We have reviewed the financial statements and the Cash Flow Statement of the Company for the year ended March 31, 2010 and that to the best of our knowledge and belief :
 - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading ;
 - ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the Auditors and the Audit committee:
 - i) significant changes in internal control over financial reporting during the year ;
 - ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii) that there were no instances of fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

R.RAJENDRAN
Chief Financial Officer

Date: 19th May, 2010

Dr. D.JAYAVARTHANAVELU
Chairman and Managing Director

BALANCE SHEET AS AT 31st MARCH 2010

	Schedule	31.03.2010 Rs.		31.03.2009 Rs.	
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
Share Capital	1	123,692,500		123,692,500	
Reserves and Surplus	2	9,134,056,237	9,257,748,737	8,303,573,482	8,427,265,982
Deferred Tax Liability			330,938,496		471,184,228
TOTAL			9,588,687,233		8,898,450,210
APPLICATION OF FUNDS					
FIXED ASSETS					
Gross Block		13,677,075,775		13,443,856,865	
Less : Depreciation		9,212,941,558		8,257,974,768	
Net Block	3	4,464,134,217		5,185,882,097	
Capital Work in Progress		1,600,000	4,465,734,217	87,845,994	5,273,728,091
INVESTMENTS	4		1,214,423,853		1,127,076,978
CURRENT ASSETS, LOANS & ADVANCES	5				
Inventories		1,103,980,370		824,599,946	
Sundry Debtors		615,994,578		517,521,593	
Cash & Bank Balances		7,273,153,318		6,197,020,125	
Other Current Assets		237,396,675		216,484,866	
Loans and Advances		1,023,141,893		774,375,967	
		10,253,666,834		8,530,002,497	
Less :					
CURRENT LIABILITIES & PROVISIONS	6				
Current Liabilities		6,106,080,935		5,782,460,136	
Provisions		239,056,736		249,897,220	
		6,345,137,671		6,032,357,356	
NET CURRENT ASSETS			3,908,529,163		2,497,645,141
TOTAL			9,588,687,233		8,898,450,210
Significant Accounting Policies	12A				
Notes forming part of Accounts	12B				
Additional Disclosures	13A,13B				

The Schedules referred to above form an integral part of this Balance Sheet.

In terms of our Report of even date
For M.S.Jagannathan & Visvanathan
 Firm Registration No. : 001209S
 Chartered Accountants

Dr. D.Jayavarthanelu
 Chairman & Managing Director

R.Venkatrangappan
 Wholetime Director

per M.J.Vijayaraaghavan
 Partner
 M.No.7534

R. Rajendran
 Chief Financial Officer

Sanjay Jayavarthanelu
 Wholetime Director

For Subbachar & Srinivasan
 Firm Registration No. : 004083S
 Chartered Accountants

Chennai
 24th May, 2010

K. Duraisami
 Company Secretary

per T.S.V. Rajagopal
 Partner
 M.No.200380

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

	Schedule	2009-2010 Rs.	2008-2009 Rs.
INCOME			
Gross Sales		12,304,552,633	15,018,003,457
Less : Excise Duty		935,508,815	1,637,864,045
Net Sales		11,369,043,818	13,380,139,412
Other Income	7	821,402,345	906,220,768
Total		12,190,446,163	14,286,360,180
EXPENDITURE			
Operating Expenses	8	7,736,115,604	9,280,294,474
Employee Cost	9	1,167,554,523	1,197,918,650
Administrative & Selling Expenses	10	822,949,035	1,090,263,375
Depreciation		958,206,666	1,176,172,742
Total		10,684,825,828	12,744,649,241
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): Transfer from/(to) 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
Tax on Proposed Dividend		30,817,986	31,532,311
Amount transferred to General Reserve		110,000,000	120,000,000
Surplus carried to Balance Sheet		6,572,260,081	5,243,968,357
		6,898,616,817	5,581,039,418
Basic and Diluted Earnings per share -Nominal value Rs.10 per Share	11	84.63	86.45
Significant Accounting Policies	12A		
Notes forming part of Accounts	12B		
Additional Disclosures	13A,13B		

The Schedules referred to above form an integral part of this Profit and Loss Account.

In terms of our Report of even date
For M.S.Jagannathan & Visvanathan
Firm Registration No. : 001209S
Chartered Accountants

per M.J.Vijayaraaghavan
Partner
M.No.7534

For Subbachar & Srinivasan
Firm Registration No. : 004083S
Chartered Accountants

per T.S.V. Rajagopal
Partner
M.No.200380

Dr. D.Jayavarthanavelu
Chairman & Managing Director

R.Venkatrangappan
Wholetime Director

R. Rajendran
Chief Financial Officer

Sanjay Jayavarthanavelu
Wholetime Director

Chennai
24th May, 2010

K. Duraisami
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR 2009-10

Particulars	31.03.2010 Rs.	31.03.2009 Rs.
A. Cash Flow from Operating Activities		
Net Profit before tax	1,505,620,335	1,541,710,939
Adjustments for :		
Depreciation	958,206,666	1,176,172,742
Profit on sale of assets	(229,860)	(2,832,402)
Loss on sale of assets	77,588	1,311,780
Interest income	(486,766,180)	(509,876,971)
Dividend income	(1,266,589)	(26,171,996)
Unrealised Loss / (Gain) on Foreign Currency Cash and cash equivalents	16,668	11,089
	470,038,293	638,614,242
Operating Profit before Working Capital Changes	1,975,658,628	2,180,325,181
(Increase)/Decrease in trade and other receivables	(333,415,894)	1,308,305,886
(Increase)/Decrease in inventories	(279,380,425)	535,300,517
Increase/(Decrease) in trade and other payables	443,322,990	(169,473,329)
	(2,023,619,627)	(180,013,224)
Cash generated from operations	1,806,185,299	2,000,311,957
Direct taxes paid	(668,433,424)	(621,537,163)
Net Cash from Operating activities	1,137,751,875	1,378,774,794
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(151,036,250)	(882,733,004)
Proceeds from sale of fixed assets	975,730	13,343,167
Purchase of Investments	0	(6,973,570)
Sale of Investments	0	971,600
Loans Given	(9,000,000)	(36,000,000)
Loans received back	3,600,000	0
Loans given to Joint Venture Company	(125,000,000)	0
Investment in Wholly Owned Subsidiary	(87,346,875)	(89,239,309)
Interest received	521,438,204	470,829,452
Dividend received	1,266,589	26,171,996
Net cash used in investing activities	154,897,398	(503,629,668)
C. CASHFLOW FROM FINANCING ACTIVITIES		
Dividends paid	(184,967,101)	(308,101,261)
Corporate dividend taxes paid	(31,532,311)	(52,553,851)
Net cash used in financing activities	(216,499,412)	(360,655,112)
Net increase in cash and cash equivalents (A+B+C)	1,076,149,861	514,490,014
Cash and cash equivalents at beginning of the period - D	6,197,020,125	5,682,541,200
Cash and cash equivalents at end of the period - E	7,273,169,986	6,197,031,214
Net increase in cash and cash equivalents (E-D)	1,076,149,861	514,490,014
Cash & Cash equivalents as per Balance Sheet	7,273,153,318	6,197,020,125
Unrealised Loss / (Gain) on Foreign Currency Cash and cash equivalents	16,668	11,089
Cash and Cash equivalents as per Cashflow Statement	7,273,169,986	6,197,031,214
Note : Cash and cash equivalents include the following balances not available for use :		
Unpaid dividend warrant account	9,759,670	9,188,021
Unpaid Debenture and Interest account	4,798,898	5,123,475

In terms of our Report of even date
For M.S.Jagannathan & Visvanathan
Firm Registration No. : 001209S
Chartered Accountants

per M.J.Vijayaagghavan
Partner
M.No.7534

For Subbachar & Srinivasan
Firm Registration No. : 004083S
Chartered Accountants

per T.S.V Rajagopal
Partner
M.No.200380

Dr. D.Jayavarthanavelu
Chairman & Managing Director

R.Venkatrangappan
Wholetime Director

R. Rajendran
Chief Financial Officer

Sanjay Jayavarthanavelu
Wholetime Director

Chennai
24th May, 2010

K. Duraisami
Company Secretary

SCHEDULES ANNEXED TO BALANCE SHEET

	31.03.2010 Rs.		31.03.2009 Rs.							
Schedule 1 : SHARE CAPITAL										
Authorised:										
25,000,000 Equity Share of Rs.10/- each		250,000,000	250,000,000							
Issued, Subscribed, Called and paid up:										
12,369,250 Equity Shares of Rs.10/- each fully paid up.		123,692,500	123,692,500							
Out of the above :										
230,010 Shares are allotted as fully paid up, pursuant to a contract without payment being received in cash.										
9,651,620 Shares are allotted as fully paid-up by way of bonus shares by capitalisation of General Reserve.										
210 Shares are allotted as fully paid-up on account of Merger of India Precision Bearing Mfrs.Ltd., with the Company.										
177,520 Shares are allotted as fully paid-up on account of Merger of Textool Company Ltd with the Company										
TOTAL		123,692,500	123,692,500							
Schedule 2 : RESERVES & SURPLUS										
Capital Reserve :										
As per last Balance Sheet		70,139,900	70,139,900							
General Reserve :										
As per last Balance Sheet	2,262,601,518		2,142,601,518							
Add : Transfer from Profit & Loss Account	110,000,000		120,000,000							
		2,372,601,518	2,262,601,518							
Investment Fluctuation Reserve										
As per last Balance Sheet	726,863,707		363,672,517							
Add / (Less) : Transfer from / (to) Profit & Loss Account	(607,808,969)		363,191,190							
		119,054,738	726,863,707							
Surplus in Profit and Loss Account		6,572,260,081	5,243,968,357							
TOTAL		9,134,056,237	8,303,573,482							
Schedule 3 : Fixed Assets										
	GROSS BLOCK				DEPRECIATION				NET BLOCK	
Particulars	Cost as at 31.03.2009 Rs.	Additions Rs.	Sales/Transfer Rs.	Cost as at 31.03.2010 Rs.	Upto 31.03.09 Rs.	Withdrawn Rs.	For the year Rs.	Upto 31.03.10 Rs.	As at 31.03.10 Rs.	As at 31.03.09 Rs.
A. Tangible Assets :										
Land	174,138,855	0	0	174,138,855	0	0	0	0	174,138,855	174,138,855
Buildings	1,196,504,157	1,634,076	0	1,198,138,233	614,999,806	0	51,469,773	666,469,579	531,668,654	581,504,351
Machinery	10,694,095,811	223,311,217	2,395,238	10,915,011,790	6,545,812,123	1,669,270	845,546,070	7,389,688,923	3,525,322,867	4,148,283,688
Furniture & Equipments	573,188,189	7,175,143	1,668,096	578,695,236	490,217,601	1,570,606	24,856,799	513,503,794	65,191,442	82,970,588
Vehicles	316,261,064	2,958,486	0	319,219,550	167,839,382	0	25,690,068	193,529,450	125,690,100	148,421,682
Goodwill	428,993,270	0	0	428,993,270	428,993,270	0	0	428,993,270	0	0
Total Tangible Assets	13,383,181,346	235,078,922	4,063,334	13,614,196,934	8,247,862,182	3,239,876	947,562,710	9,192,185,016	4,422,011,918	5,135,319,164
B. Intangible Assets										
Technical Knowhow	60,675,519	2,203,322	0	62,878,841	10,112,586	0	10,643,956	20,756,542	42,122,299	50,562,933
Total Intangible Assets	60,675,519	2,203,322	0	62,878,841	10,112,586	0	10,643,956	20,756,542	42,122,299	50,562,933
Capital Work in Progress									1,600,000	87,845,994
Total Assets	13,443,856,865	237,282,244	4,063,334	13,677,075,775	8,257,974,768	3,239,876	958,206,666	9,212,941,558	4,465,734,217	5,273,728,091
Previous Year	12,735,369,956	803,437,010	94,950,101	13,443,856,865	7,164,929,582	83,127,556	1,176,172,742	8,257,974,768	5,273,728,091	

SCHEDULES ANNEXED TO BALANCE SHEET

	Face Value Rs.	31.03.2010		31.03.2009	
		Nos.	Rs.	Nos.	Rs.
Schedule 4 : INVESTMENTS					
Long Term Investments at cost					
A. Non-trade : Quoted Investments					
1. Equity Shares Fully paid-up					
Arun Processors Limited	10	200	7,400	200	7,400
Cholamandalam DBS Finance Limited	10	342,562	26,788,160	342,562	26,788,160
Lakshmi Automatic Looms Works Limited	10	441,110	8,888,850	441,110	8,888,850
Pricol Limited	1	24,975	252,363	24,975	252,363
Rajshree Sugars & Chemicals Limited	10	100,000	1,000,000	100,000	1,000,000
South Asian Financial Exchange Limited	10	51,500	515,000	51,500	515,000
The Lakshmi Mills Company Limited	100	39,297	20,134,378	39,297	20,134,378
JSW Steel Limited	10	586,895	800,525,958	586,895	800,525,958
Indian Bank	10	69,562	6,330,142	69,562	6,330,142
B. Non-trade : Unquoted Investments					
1. Equity Shares Fully paid-up					
Pugoda Textiles Lanka Ltd., Sri Lanka	10	6,750,000	48,382,668	6,750,000	48,382,668
(Shares vested with Govt. of Sri Lanka for compensation)					
Rieter-LMW Machinery Ltd	10	12,500,000	125,000,000	12,500,000	125,000,000
2. Co-operative Concerns/Others					
Sharada Chambers Premises Co-op Society Ltd	50		250		250
Lakshmi Machine Works Employees Co-op Stores Ltd	10		5,000		5,000
Investment in Co-operative concerns	10		7,500		7,500
C. Investment in Subsidiary(Unquoted)					
LMW Textile Machinery (Suzhou) Co. Ltd			176,586,184		89,239,309
TOTAL			1,214,423,853		1,127,076,978
Aggregate value of Quoted Investments					
Cost	Rs.		864,442,251		864,442,251
Market Value	Rs.		866,531,317		182,262,688
Aggregate value of Unquoted Investments	Rs.		349,981,602		262,634,727

SCHEDULES ANNEXED TO BALANCE SHEET

	Rs.	31.03.2010 Rs.	31.03.2009 Rs.
Schedule 5 : Current Assets, Loans & Advances			
A) INVENTORIES			
Raw Materials		359,439,312	203,156,285
Components		441,840,666	332,716,910
Work-in-process		117,854,090	103,504,110
Finished Goods		91,892,675	103,121,206
Consumables		92,953,627	82,101,435
TOTAL		1,103,980,370	824,599,946
B) SUNDRY DEBTORS			
Unsecured :			
Outstanding for a period exceeding six months :			
-- Considered Good		56,654,337	45,265,768
--Considered Doubtful	0		2,101,937
Less : Provision for doubtful debts	0		2,101,937
Other debts - Considered Good		559,340,241	472,255,825
TOTAL		615,994,578	517,521,593
C) CASH & BANK BALANCES			
Cash on hand		2,185,758	1,751,631
With Scheduled Banks :			
- in Current Account		64,322,801	10,130,144
- in Deposit Account		7,190,738,004	6,170,461,392
- in Unpaid Dividend Account		9,759,670	9,188,021
- in Unpaid Debenture & Interest Account		4,798,898	5,123,475
With Non Scheduled Banks :			
Bank of India, Nairobi		154,885	0
Vietnam Bank for Foreign Trade of Vietnam		23,653	52,721
Bangkok Bank Public Company Ltd, Thailand		522,884	306,535
Bank Central Asia, Indonesia		148,182	6,170
Citibank , Bangladesh		498,583	36
TOTAL		7,273,153,318	6,197,020,125
D) OTHER CURRENT ASSETS			
Interest accrued on Bank Deposits		157,044,630	191,716,653
Income Receivable		80,352,045	24,768,213
TOTAL		237,396,675	216,484,866
E) LOANS & ADVANCES			
Unsecured recoverable in cash or in kind, or for value to be received-Considered good	345,818,739		244,407,166
Considered Doubtful	0		36,783,954
	345,818,739		281,191,120
Less : Provision for doubtful advances	0		36,783,954
		345,818,739	244,407,166
Inter Corporate and Other Loans		166,701,992	36,319,346
Deposits		70,232,980	84,617,432
Balance with Central Excise, Sales Tax, Customs etc.,		313,930,114	353,055,132
Prepaid Expenses		5,103,537	4,029,210
Advance Taxes Including Fringe Benefit Tax (Net of provisions therefor)		121,354,531	51,947,681
TOTAL		1,023,141,893	774,375,967

SCHEDULES ANNEXED TO BALANCE SHEET

	Rs.	31.03.2010 Rs.	31.03.2009 Rs.
Schedule 6 : Current Liabilities & Provisions			
A) CURRENT LIABILITIES			
Liabilities for Supplies & Services :			
Due to Micro, Small and Medium Enterprises	3,808,102		206,942
Others	1,568,173,019		887,047,973
		1,571,981,121	887,254,915
Liabilities for Expenses		397,977,227	444,158,491
Liabilities for Other Finance			
i) Advance received against supply of machinery	3,058,722,545		3,546,431,826
ii) Others	1,062,841,474		890,303,408
		4,121,564,019	4,436,735,234
Unpaid Dividends*		9,759,670	9,188,021
Unclaimed Debenture *		4,798,898	5,123,475
* No amount is due and outstanding to be credited to the Investor Education and Protection Fund			
TOTAL		6,106,080,935	5,782,460,136
B) PROVISIONS			
Provision for Proposed Dividend		185,538,750	185,538,750
Tax on Proposed Dividend		30,817,986	31,532,311
Provision for Warranty		22,700,000	26,000,000
Provision for Leave Encashment		0	6,826,159
TOTAL		239,056,736	249,897,220

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	2009-10 Rs.	2008-09 Rs.
Schedule 7 - Other Income		
Sale of Scrap	41,223,259	48,911,247
Rent Receipts (TDS - Rs.752,063/-)(Previous year TDS - Rs.1,890,919)	8,190,109	8,867,384
Interest Receipts (TDS - Rs.102,011,625/-) (Previous year TDS Rs.111,790,703)	486,766,181	509,876,972
Dividend from Long term Investments	1,266,589	26,171,996
Export Incentives	91,727,001	147,757,664
Repairs & Service Charges and Misc.Income	84,805,623	67,781,307
Foreign Exchange Gain (Net)	15,584,165	91,326,318
Profit on Sale of Assets	229,860	2,832,402
Sale of Wind energy	91,609,558	2,695,478
TOTAL	821,402,345	906,220,768

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	2009-10 Rs.	2008-09 Rs.
Schedule 8 - Operating Expenses		
A) Material Consumption		
Opening Stock	535,873,196	806,020,298
Add : Purchases	7,404,876,763	7,813,750,663
Less : Sales	515,860,554	459,717,988
Closing Stock	801,279,978	535,873,196
Total (A)	6,623,609,427	7,624,179,777
B) Stock (Increase) / Decrease		
Opening Stock of Finished Goods	103,121,206	144,103,435
Work in Process	103,504,110	253,895,519
	206,625,316	397,998,954
Less : Closing Stock of Finished Goods	91,892,675	103,121,206
Work in process	117,854,090	103,504,110
	209,746,765	206,625,316
Total(B)	-3,121,449	191,373,638
C) OTHER EXPENSES		
Stores Consumed	561,948,772	684,144,626
Power & Power Generation Charges	211,206,214	211,660,713
(Net of Wind energy Rs. 140,352,742/-, Previous year - Rs.173,648,501/-)		
Repairs & Maintenance - Buildings	46,759,932	57,453,610
- Machinery	150,656,199	287,015,630
- Others	145,056,509	224,466,480
Total (C)	1,115,627,626	1,464,741,059
Grand Total (A + B + C)	7,736,115,604	9,280,294,474
Schedule 9 - Employee Cost		
Salaries, Wages, Incentives, etc.	859,777,023	919,116,227
Contribution to Provident Fund and Other Funds	83,469,836	91,217,633
Workmen & Staff Welfare Expenses	83,215,828	96,527,411
Managerial Remuneration	94,800,073	91,057,379
Voluntary Retirement Scheme Compensation	46,291,763	0
Total	1,167,554,523	1,197,918,650

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	2009-10 Rs.	2008-09 Rs.
Schedule 10 - Administrative and Selling expenses		
Printing & Stationery	8,646,346	14,678,642
Postage, Telegrams & Telephones	8,775,025	9,974,089
Travelling Exps & Maint. of Vehicles	79,202,697	104,451,885
Insurance	6,889,232	8,076,462
Rent	4,867,738	4,643,052
Licence & Taxes	15,525,080	12,297,156
Directors' Sitting Fees	400,000	350,000
Auditors Remuneration	1,408,415	1,351,100
Bank Charges, LC Commission etc.,	8,824,336	40,184,187
Legal & Professional Charges	29,839,865	52,452,818
Subscription to Associations & Periodicals	1,845,767	1,765,712
Research & Development	124,903,253	94,692,345
Loss on Sale of Assets	77,588	1,311,780
Miscellaneous Expenses	28,268,879	48,727,027
Donations	19,200,000	1,325,000
Sales Commission to Agents	322,582,559	431,392,061
Sales Expenses	41,981,122	60,410,232
Security and Other Service expenses	57,177,922	88,552,302
Advertisement & Publicity	28,280,873	46,142,760
Export Expenses	33,856,728	64,702,873
Royalty	395,610	2,781,892
Bad debts written off	38,885,891	
Less : Provision adjusted	38,885,891	0
TOTAL	822,949,035	1,090,263,375
Schedule 11 - Earnings per Share		
Net Profit after Tax	1,046,839,490	1,069,348,670
Weighted Average Number of Equity shares	12,369,250	12,369,250
Nominal value per Equity Share (Rs.)	10	10
Basic & Diluted EPS	84.63	86.45

Schedule: 12A : SIGNIFICANT ACCOUNTING POLICIES

1. Method of Accounting

The financial statements are prepared under historical cost convention and on accrual basis and in accordance with the provisions of the Companies Act, 1956 and accounting principles generally accepted in India and comply with the Accounting Standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government to the extent applicable. The accounting is on the basis of a going concern concept.

2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognized in the period in which the results are known/ materialized.

3. Fixed Assets:

Fixed assets are stated at historical cost net of Cenvat credit / Value added Tax, including appropriate direct and allocated expenses less accumulated depreciation and impairment losses, if any. Increase / Decrease in rupee liability in respect of foreign currency liability related to acquisition of fixed assets is recognized as expense or income in the Profit and loss account. Self constructed assets are capitalized at factory cost.

4. Investments:

Long Term Investments are carried at cost inclusive of all expenses incidental to acquisition. Provision for diminution in value of long term investments is made only if such a decline is other than temporary in nature in the opinion of the management. Adjustment for diminution in value of long term investments, considered temporary in the opinion of the management, are determined for each investment individually and credited to Investment Fluctuation Reserve by transfer from Profit & Loss Account.

5. Valuation of Inventories:

Inventories are valued at lower of cost and net realizable value after providing for obsolescence where necessary. Cost is determined on weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

6. Translation of Foreign Currency Transactions:

Foreign currency transactions are recorded at the prevailing exchange rates at the time of initial recognition. Exchange differences arising on final settlement are adjusted and recognized as income or expense in the profit and loss account. Outstanding balances of monetary items denominated in foreign currency are restated at closing exchange rates and the difference is adjusted as income or expense in the profit and loss account.

The premium or discount arising at the inception of forward exchange contracts is accounted as income or expense over the life of the contract. Any

profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense in the period in which they arise.

7. Depreciation

Depreciation on all fixed assets is provided on the written down value method except in the case of Wind Mills for which Straight Line Method is adopted at the rates specified in Schedule XIV of the Companies Act, 1956. For additions and deletions depreciation is provided on pro-rata basis.

8. Recognition of Revenue

Income and Expenditure are recognized and accounted on accrual basis as and when they are earned or incurred. Revenue from sale transaction is recognized as and when significant risks and rewards attached to ownership in the goods is transferred to the buyer. Revenue from service transactions is recognized on the completion of the contract. Dividend from Investments, Export incentives under Duty Entitlement Pass Book [DEPB] Scheme and Duty drawback scheme are recognized when the right to receive payment / credit is established and no significant uncertainty as to measurability or collectibility exists.

9. Borrowing costs

Interest on borrowings, if any, attributable to acquisition of qualifying Assets are capitalized and included in the cost of the asset, as appropriate.

10. Earnings per Share:

Basic Earning per share is calculated by dividing the Net Profit after tax attributable to the equity shareholders by the weighted average number of Equity Shares outstanding during the year.

11. Employee Benefits:

Short term employee benefits (other than termination benefits) which are payable within 12 months after the end of the period in which the employees render service are accounted on accrual basis.

Defined Contribution Plans

Company's contributions paid / payable during the year to Provident Fund, Superannuation Fund and ESIC are recognized in the profit and loss account.

Defined Benefit Plans

Company's liabilities towards gratuity and leave encashment are determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past services are recognized on a straight line basis over the average period until the amended benefits becomes vested. Actuarial gains or losses are recognized immediately in the statement of profit and loss account as income or expense. Obligation is measured at the year end as present value of estimated future cash flows using a discounting rate that is determined by reference to market yields at the balance sheet date on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligations.

12. Research and Development

Revenue expenditure incurred on Research and Development are expensed in the period in which they are incurred. Fixed assets relating to Research and Development are capitalized and depreciation provided thereon.

13. Taxes on Income

Current Tax is determined as per the provisions of the Income-tax Act, 1961 in respect of taxable income for the year and based on the expected outcome of assessment/appeals.

Deferred Tax assets and liabilities are recognized on timing differences between accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred Tax assets, other than those arising on account of unabsorbed depreciation or carry forward of losses under tax laws, are recognized and carried forward subject to consideration of prudence only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

14. Provisions, contingent liabilities and contingent assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes to financial statements. Contingent assets are neither recognized nor disclosed in the financial statements. Provisions, contingent liabilities and contingent assets are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

15. Cash Flow Statements

Cash Flows are reported using the Indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expense associated with investing or financing cash flows. Cash and cash equivalents include cash on hand and balances with banks in current and deposit accounts with necessary disclosure of cash and cash equivalent balances that are not available for use by the Company.

16. Segment Reporting

Segment accounting policies are in line with the accounting policies of the Company, except that segment revenue includes sales and other income directly identifiable or allocable to the segment including inter-segment revenue.

Business segments are identified on the basis of the nature of products / services, the risk-return profile of individual businesses, the organizational structure and the internal reporting system of the Company.

Segment revenue, segment expenses, segment assets and liabilities include those directly identifiable with the respective segments. Income, expenses, assets and liabilities which are not identifiable with or allocable to a separate segment on a reasonable basis but are related to the Company as a whole are shown as unallocated items.

Inter-segment transfers are accounted for on weighted average cost basis.

17. Impairment of assets

An asset is treated as impaired when the carrying amount of the asset exceeds its estimated recoverable value. Carrying amounts of fixed assets are reviewed at each balance sheet date to determine indications of impairment, if any, of those assets. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss equal to the excess of the carrying amount over its recoverable value is recognized as an impairment loss. The impairment loss, if any, recognized in prior

accounting period is reversed if there is a change in estimate of recoverable amount.

18. Leases

Assets given on leases where substantial risks and rewards incident to ownership of the asset are not transferred to the lessee are classified as operating leases. Lease income from such operating leases is recognized on straight line basis over the lease term. Depreciation on such leased assets is charged as per the normal depreciation policy of the Company for similar assets. Initial direct costs incurred specifically in relation to such operating leases is recognized as expense in the period in which they are incurred.

SCHEDULE 12B NOTES FORMING PART OF ACCOUNTS

	2009-10		2008-09	
	Nos.	Value Rs.	Nos.	Value Rs.
1. Details of Turnover :				
i) SALE OF FINISHED GOODS :				
SPINNING MACHINERY				
a. Spinning preparatory machinery	1480	3,698,977,257	2494	5,748,573,685
b. Yarn making machinery	1502	4,849,285,674	1658	4,743,286,704
METAL CUTTING INCLUDING	607	929,981,630	402	733,148,249
GRINDING MACHINES				
ii) SALE OF CASTINGS (MT)	6723	773,637,020	7257	847,237,286
iii) SALE OF SPARES & ACCESSORIES ETC		1,117,162,237		1,307,893,488
		11,369,043,818		13,380,139,412

2. i) Raw Material Consumed				
MACHINE SHOP	Tonnes	Value (Rs)	Tonnes	Value (Rs)
a) Iron and Steel	20759	996,414,818	26390	1,354,070,108
b) Aluminium, Brass & Copper	1173	193,319,744	2022	213,452,996
c) Non metallic items etc		81,728,664		62,052,474
(Quantitative details could not be given in respect of item "c" as their list is too large and no item individually accounts for 10% or more of the value of raw materials consumed)				

2. i) Raw Material Consumed (Continued)				
FOUNDRY	Tonnes	Value (Rs)	Tonnes	Value (Rs)
a) Pig Iron	9846	230,096,327	11809	276,456,673
b) Cast Iron Borings & Scrap	10058	207,886,658	10199	269,624,239
c) Ferro Silicon	234	17,337,142	319	26,719,118
ii) Components Consumed				
a) Components Indigenious		3,649,543,677		3,806,338,381
b) Components Imported		1,247,282,397		1,615,465,788
(Quantitative details could not be given in respect of components as their list is too large and no item individually accounts for 10% or more of the value of components consumed)				
Total		6,623,609,427		7,624,179,777

	Opening Stock 2008-09 Nos.	Closing 2008-09 Opening 2009-10 Nos.	Closing Stock 2009-10 Nos.
3. Stock of Finished Goods :			
SPINNING MACHINERY			
a. Spinning preparatory machinery	25	17	20
b. Yarn making machinery	24	17	18
METAL CUTTING INCLUDING GRINDING MACHINES	5	7	3
Total Value	144,103,435	103,121,206	91,892,675

	2009 -10		2008 -09	
	Licenced Nos.	Installed Nos.	Licenced Nos.	Installed Nos.
4. Licensed and Installed Capacity :				
SPINNING MACHINERY				
a) Spinning preparatory machinery	3287	5000	3287	5000
b) Yarn making machinery	5084	3300	5084	3300
c) Accessories and parts	211 lacs	279 lacs	211 lacs	279 lacs
WEAVING MACHINERY				
a) Weaving preparatory machinery	211	---	211	---
TEXTILE PACKAGING MACHINERY	196	---	196	---
PILOT MILL (Spindles)	28000	8000	28000	8000
METAL CUTTING INCLUDING GRINDING MACHINES	900	900	900	900
DIESEL ENGINES	2676	---	2676	---
CASTINGS (TONNES)	15000	15000	15000	15000

	2009-10 Nos.	2008-09 Nos.
5. Actual Production :		
SPINNING MACHINERY		
a) Spinning preparatory machinery	1483	2486
b) Yarn making machinery	1503	1651
METAL CUTTING INCLUDING GRINDING MACHINES	603	404
CASTINGS (TONNES)	18863	22117

		2009-10 Rs.		2008-09 Rs.	
6. a) Value of Imports (CIF)					
i) Raw Materials		262,351,848		328,710,366	
ii) Components & Spares		1,079,470,791		902,766,578	
iii) Capital goods		183,367,981		420,546,199	
b) Expenditure in Foreign Currency on account of: (on payment basis)					
i) Royalty		255,177		3,922,218	
ii) Sales Commission		14,235,919		46,189,191	
iii) Others		15,413,364		30,194,727	
c) Consumption		2009-10 Rs.	% to Total Consumption	2008-09 Rs.	% to Total Consumption
i) Raw materials Imported		256,874,690	3.88	394,551,053	5.17
ii) Spare Parts & Components Imported		1,247,282,395	18.84	1,615,465,788	21.19
iii) Raw materials Indigenous		1,469,908,665	22.20	1,807,824,555	23.71
iv) Spare Parts & Components Indigenous		3,649,543,677	55.08	3,806,338,381	49.93
Total		6,623,609,427	100.00	7,624,179,777	100.00

	2009-10 Rs.	2008-09 Rs.
d) Amount remitted during the year in foreign currencies:		
i) On account of dividends	24,472,800	40,788,000
ii) Number of Non-resident shareholders	1	1
iii) Number of shares held by Non-resident shareholders on which dividends are due	1631520	1631520
iv) The year to which dividends relate	2008-09	2007-08
e) Earnings in Foreign Exchange:	2009-10	2008-09
Export of goods calculated on FOB basis	742,664,933	971,599,522

7. a) Calculation of Managerial Commission	2009-10		2008-09	
	Rs.	Rs.	Rs.	Rs.
Net Profit as per Profit and Loss Account		1,505,620,335		1,541,710,939
Add : Depreciation as per books	958,206,666		1,176,172,742	
Managerial remuneration	94,800,073		91,057,379	
Sitting Fees paid to Directors	400,000		350,000	
Loss on Sale of Assets	77,588		1,311,780	
Voluntary Retirement Scheme Compensation	46,291,763		-	
		1,099,776,090		1,268,891,901
		2,605,396,425		2,810,602,840
Less: Profit on Sale of Assets	229,860		2,832,402	
Depreciation under Section 350	958,206,666		1,176,172,742	
		958,436,526		1,179,005,144
Net Profit for Managerial Commission		1,646,959,899		1,631,597,696
as per sec 349 of the Companies Act., 1956				
b) Managerial Remuneration : Dr.D.Jayavarthanelu		2009-10		2008-09
Chairman and Managing Director		Rs.		Rs.
Salary		5,400,000		5,400,000
Superannuation Fund contribution		0		810,000
Gratuity Fund Contribution		259,615		259,615
Provident Fund contribution		648,000		648,000
Other perquisites		5,305,387		3,034,553
Commission payable @ 2% on Net Profit of		32,939,198		32,631,954
Rs.1,646,959,899/-				
		44,552,200		42,784,122
c) Managerial Remuneration : Sri.R.Venkatrangappan				
Wholetime Director				
Salary		3,600,000		3,600,000
Superannuation Fund contribution		540,000		540,000
Gratuity Fund Contribution		173,077		173,077
Provident Fund contribution		432,000		432,000
Other perquisites		2,899,812		2,432,605
Commission payable @ 1% on Net Profit of		16,469,599		16,315,977
Rs.1,646,959,899/-				
		24,114,488		23,493,659

	2009-10		2008-09
	Rs.		Rs.
d) Managerial Remuneration : Sri.Sanjay Jayavarthanavelu			
Wholetime Director			
Salary	3,600,000		3,600,000
Superannuation Fund contribution	540,000		540,000
Gratuity Fund Contribution	173,077		173,077
Provident Fund contribution	432,000		432,000
Other perquisites	3,118,709		1,918,544
Commission payable @ 1% on Net Profit of	16,469,599		16,315,977
Rs.1,646,959,899/-			
	24,333,385		22,979,598
e) Non Executive Directors Commission	1,800,000		1,800,000
Total Managerial Remuneration	94,800,073		91,057,379
8. Auditors' Remuneration :			
Audit Fees	1,200,000		1,200,000
Fees for Tax Matters	75,000		75,000
Issue of certificates	104,415		47,850
Travelling expenses	29,000		28,250
	1,408,415		1,351,100

9. As defined under Micro, Small and Medium Enterprises Development Act, 2006, the disclosure in respect of the amounts payable to such enterprises as at March 31, 2010 has been made in the financial statements based on information received and available with the Company.

	2009-10 Rs.	2008-09 Rs.
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	3,808,102	206,942
The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day during the year	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of the year	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise	Nil	Nil

10. Provision for Excise duty amounting Rs.8,581,085/- (Previous year Rs.7,850,322) for the uncleared stock of finished goods has been reckoned in the value of Finished Goods.

11. Deferred Taxes:	2009-10	2008-09
	Rs.	Rs.
Deferred Tax Asset:		
On account of VRS	12,302,499	0
On account of Provision for doubtful debts	0	13,217,314
Others-Section 43B Items	5,671,251	60,228
	17,973,750	13,277,542
Deferred Tax Liability:		
On account of Depreciation	348,912,247	484,461,770
Net deferred tax Asset / (Liability)	(330,938,497)	(471,184,228)

12. In the opinion of the Board of Directors, the Current Assets, Loans and Advances have at least the value as stated in the Balance Sheet and will be realised in the ordinary course of business.

13. The Fixed Assets include:	Gross Block	Depreciation for the year	Accumulated Depreciation	Net Block
Assets leased out as on 31.03.2010				
Buildings	37,346,093	1,085,136	16,728,492	20,617,601
Total	37,346,093	1,085,136	16,728,492	20,617,601
Assets leased out as on 31.03.2009				
Buildings	37,346,093	1,145,340	15,643,356	21,702,737
Total	37,346,093	1,145,340	15,643,356	21,702,737

Income from leased Buildings of Rs.8,190,109/- is grouped in Rent receipts (Previous Year Rs.8,867,384/-)

14. EMPLOYEE BENEFITS	Gratuity			Leave Encashment		
Defined Benefit Plans	(Funded)			(Funded)		
	31.03.2010	31.03.2009	31.03.2008	31.03.2010	31.03.2009	31.03.2008
A. Expense recognised during the year						
1. Current Service cost	18,675,767	16,451,097	15,543,000	2,242,857	3,946,000	2,471,773
2. Interest cost	23,630,820	20,596,834	20,475,000	1,738,945	1,698,266	1,493,583
3. Expected return on plan assets	(27,656,824)	(22,621,097)	(19,385,170)	(1,966,771)	(1,746,646)	1,166,862
4. Actuarial Losses / (Gains) during the year	9,622,798	14,459,460	10,838,794	(20,018,588)	4,684,064	(2,241,186)
5. Total Expense	24,272,561	28,886,294	27,471,624	2,664,073	8,581,684	1,724,170
B. Actual return on Plan assets						
1. Expected return on plan assets	27,656,824	22,621,097	19,385,170	1,966,771	1,746,646	1,166,862
2. Actuarial (Loss) / Gain on Plan assets	15,703,215	(9,804,627)	(7,737,002)	16,762,677	(8,408,887)	3,352,527
3. Actual return on plan assets	43,360,039	12,816,470	11,648,168	18,729,448	(6,662,241)	4,519,389

14. EMPLOYEE BENEFITS	Gratuity			Leave Encashment		
Defined Benefit Plans	(Funded)			(Funded)		
	31.03.2010	31.03.2009	31.03.2008	31.03.2010	31.03.2009	31.03.2008
C. Net Asset/(Liability) recognised in the Balance Sheet						
1.Present value of the obligation as on 31.03.2010	319,857,291	290,410,401	266,213,206	19,139,938	21,078,120	17,282,328
2. Fair value of plan assets as on 31.3.2010	349,568,348	320,121,458	295,924,263	32,981,409	14,251,961	20,077,547
3.Funded status surplus/(deficit)	29,711,057	29,711,057	29,711,057	13,841,471	(6,826,159)	2,795,219
4.Unrecognised past service cost	-	-	-	-	-	-
5.Net Asset/(Liability) recognised in the Balance Sheet	-	-	-	-	(6,826,159)	(1,724,170)
D. Change in Present value of the Obligation during the year						
1. Present value of the obligation at the beginning of the year	290,410,401	266,213,206	273,000,000	21,078,120	17,282,328	15,558,158
2. Current service cost	18,675,767	16,451,097	15,543,000	2,242,857	3,946,000	2,471,773
3.Interest cost	23,630,820	20,596,834	20,475,000	1,738,945	1,698,266	1,493,583
4.Benefits paid	(38,185,710)	(17,505,569)	(16,195,529)	(2,664,073)	(918,870)	-
5.Actuarial (gain) loss on obligation	25,326,013	4,654,833	(26,609,265)	(3,255,911)	(929,604)	(2,241,186)
6.Present value of obligation at the end of the year	319,857,291	290,410,401	266,213,206	19,139,938	21,078,120	17,282,328
E. Change in Assets during the year ended March 31, 2010						
1. Fair value of plan assets as at April 1, 2009	320,121,458	295,924,263	258,468,932	14,251,961	20,077,547	15,558,158
2. Expected return on plan assets	27,656,824	22,621,097	19,385,170	1,966,771	1,746,646	1,166,862
3.Contributions made	24,272,561	28,886,294	42,002,692	2,664,073	1,755,525	-
4.Benefits paid	(38,185,710)	(17,505,569)	(16,195,529)	(2,664,073)	(918,870)	-
5.Actuarial gain / (loss) on plan assets	15,703,215	(9,804,627)	(7,737,002)	16,762,677	(8,408,887)	3,352,527
6. Fair value of plan assets	349,568,348	320,121,458	295,924,263	32,981,409	14,251,961	20,077,547
F Net actuarial Gain / Loss recognised						
1. Actuarial (Gain) / Loss on Benefit Obligation	25,326,013	4,654,833	(26,609,265)	(3,255,911)	(929,604)	(2,241,186)
2. Actuarial (Gain) / Loss on Plan assets	15,703,215	(9,804,627)	(7,737,002)	16,762,677	(8,408,887)	3,352,527
3. Net Actuarial (Gain) / Loss recognised	9,622,798	14,459,460	(18,872,263)	(20,018,588)	7,479,283	(5,593,713)
G Major categories of plan assets as a percentage of total plan						
Qualifying insurance policies	347,231,835	318,291,191	292,798,870	32,981,409	14,251,961	20,077,547
Own plan assets	2,336,513	1,830,267	3,125,393	-	-	-
Total	349,568,348	320,121,458	295,924,263	32,981,409	14,251,961	20,077,547
H. Actuarial Assumptions						
1.Discount rate	8.00%	8.00%	8.00%	8.25%	8.00%	8.00%
2.Salary escalation	7.00%	6.00%	6.00%	7.00%	6.00%	6.00%
3. Expected rate of return on plan assets	9.00%	7.50%	7.50%	13.80%	8.00%	7.50%
4. Attrition rate	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
5.Mortality rate	LIC (1994-96)	LIC (1994-96)	LIC (1994-96)	LIC (1994-96)	LIC (1994-96)	LIC (1994-96)
	Ultimate	Ultimate	Ultimate	Ultimate	Ultimate	Ultimate
II. DEFINED CONTRIBUTION SCHEMES	31.03.2010	31.03.2009	31.03.2008			
Provident Fund Contribution	51,298,080	56,713,427	51,332,587			
Superannuation Fund Contribution	8,174,968	9,157,978	7,872,137			

Note: The salary escalation considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. Gratuity is applicable to all permanent and full time employees of the Company. Gratuity payment is based on last basic salary and dearness allowance at the time of termination or retirement. The Scheme takes into account each completed year of service or part thereof in excess of six months. The entire contribution is borne by the Company. Leave encashment benefits are provided as per the Rules of the Company. The liabilities on account of defined benefit obligations are expected to be contributed within the next financial year.

15. (a) There are no derivative financial instruments either for hedging or for speculation outstanding as at the Balance Sheet date.
- (b) Foreign currency exposures that are not hedged by a derivative instrument or otherwise are as under:

Particulars		Amount in foreign currency		Equivalent amount	
				Rs.	
		2009-10	2008-09	2009-10	2008-09
Sundry creditors	CHF	16,458	26,300	696,481	1,170,355
	EUR	196,564	1,300,610	11,909,803	87,400,985
	GBP	14,493	331	983,640	24,050
	JPY	40,736,588	11,352,581	19,960,928	5,789,816
	SEK	585,950	290,000	3,685,626	1,783,500
	SGD	9,480	0	305,256	0
	USD	18,395	20,913	828,316	696,388
Sundry Debtors	USD	1,157,740	1,879,613	52,133,049	95,333,950
	EUR	431,114	708,458	26,121,177	47,608,403
Bank Balances	THB	188,178	214,987	263,035	306,535
	KES	32,942	100,618	19,930	63,472
	BDT	378,015	50	250,737	36
	IDR	0	1,407,664	0	6,170
	USD	18,088	4,030	814,484	203,744

16. Contingent Liabilities:	2009-10	2008-09
	Rs.	Rs.
Letters of Credit	171,823,467	143,138,564
Bank Guarantee	95,746,731	125,328,696
Central Excise Demand	58,496,042	25,053,701

Disputed tax dues are appealed before concerned appellate authorities. The Company is advised that the cases are likely to be disposed off in favour of the Company and hence no provision is considered necessary therefor.

17. Estimated amount of Contracts remaining to be executed on Capital account and not provided for net of advances is Rs.487,330,735/-.(Previous Year Rs.34,171,753/-)
18. (a) The Company gives warranties for its products undertaking to repair or replace the items that fail to perform satisfactorily during the warranty period. Provisions made at the end represents the amount of expected cost of meeting such obligations of rectification/replacements. The timing of the outflows is expected to be within a period of one year.
- (b) Disclosures in terms of Accounting Standard 29 "Provisions, Contingent Liabilities and Contingent Assets" (Amount in Rs.)

Particulars	Provision for Warranty	
	2009-10	2008-09
Carrying amount at the beginning of the year	26,000,000	40,000,000
Additional provision made during the year	22,700,000	26,000,000
Amount used during the year	22,567,150	37,819,880
Unused amount reversed during the year	3,432,850	2,180,120
Carrying amount at the end of the year	22,700,000	26,000,000

19. Revenue Expenditure on Research & Development amounting to Rs.12.49 crores (Previous Year Rs.9.47 Crores) has been charged to Profit and Loss Account and Capital expenditure relating to Research and Development amounting to Rs.2.52 Crores (Previous Year Rs.5.35 Crores) has been included in Fixed Assets

20. Amounts due from Subsidiary Company : Rs.56,918,287/-(Previous Year : Nil)

21. The previous year's figures have been regrouped, rearranged and reclassified wherever necessary.

Schedule : 13(A)
Segment Report for the year ended 31st March 2010

Rs.

PRIMARY - BUSINESS SEGMENT	Textile Machinery Division		Other Divisions		Total	
Revenue	31.03.2010	31.03.2009	31.03.2010	31.03.2009	31.03.2010	31.03.2009
External Sales	9,647,342,182	11,799,753,877	1,721,701,635	1,580,385,535	11,369,043,817	13,380,139,412
Inter Segment Transfers	38,897,148	55,725,963	8,269,898	19,109,942	47,167,046	74,835,905
Allocable other income	311,965,083	311,966,002	13,214,383	49,338,414	325,179,466	361,304,416
Total Revenue	9,998,204,413	12,167,445,842	1,743,185,916	1,648,833,891	11,741,390,329	13,816,279,733
Less : Inter Segment Transfers					47,167,046	74,835,905
Add : Unallocable other Income					496,222,883	544,916,352
Enterprise revenue					12,190,446,166	14,286,360,180
Result						
Segment Result	967,554,025	1,055,431,205	157,651,918	35,446,862	1,125,205,943	1,090,878,067
Less :Unallocated Expenses					115,808,491	94,083,479
Operating Profit					1,009,397,452	996,794,588
Less : Interest Expenses					0	0
Income tax expenses (Current)					599,026,577	475,961,407
Income tax expenses (Deferred)					(140,245,732)	(3,599,138)
Add : Unallocable Other Income					496,222,883	544,916,352
Net Profit after Tax					1,046,839,490	1,069,348,671
Other Information						
Segment assets	13,351,327,286	12,975,621,329	1,061,892,250	776,161,579	14,413,219,536	13,751,782,908
Add : Unallocated corporate assets					2,468,534,559	2,827,938,588
Enterprise Assets					16,881,754,095	16,579,721,496
Segment Liabilities	5,659,787,881	5,636,843,424	294,842,580	178,442,871	5,954,630,461	5,815,286,295
Add : Unallocated corporate liabilities					10,927,123,634	10,764,435,201
Enterprise Liabilities					16,881,754,095	16,579,721,496
Capital Expenditure	218,840,133	839,062,148	20,042,111	52,220,856	238,882,244	891,283,004
Depreciation	913,641,395	1,129,685,250	44,565,271	46,487,492	958,206,666	1,176,172,742
Non-Cash Expenditure	0	0	0	0	0	0

SECONDARY - GEOGRAPHICAL SEGMENT	Textile Machinery Division		Other Divisions		Total	
(a) Revenue from external customers by location of customers	31.03.2010	31.03.2009	31.03.2010	31.03.2009	31.03.2010	31.03.2009
Domestic Segment					10,626,378,884	12,408,539,891
Export Segment					742,664,933	971,599,521
Total Revenue					11,369,043,817	13,380,139,412
(b) Carrying amount of Segment Assets						
Within India	13,351,299,800	12,975,583,141	1,061,892,250	776,161,579	14,413,192,050	13,751,744,720
Outside India	27,486	38,188	0	0	27,486	38,188
(c) Capital Expenditure						
Within India	218,840,133	926,908,142	20,042,111	52,220,856	238,882,244	891,283,004
Outside India	0	0	0	0	0	0

Notes :

- 1) The Company is organised into two main Business Segments viz., Textile Machinery Segment comprising of Spinning Preparatory Machinery; Yarn Making machinery; Accessories & Parts and Other Segment comprising of Machine Tools and Foundry Division and Advanced Technology Centre.
- 2) The Secondary Geographical Segments considered for disclosure are Revenue from Customers located within India (Domestic Segment) and Revenue from customers located outside India (Export Segment).
- 3) Inter Segment transfers are accounted at weighted average cost, vis-a-vis at competitive market price charged to Unaffiliated customers for similar goods.
- 4) Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis.

Schedule 13 (B)**Related Party Disclosures****1) Related Party Relationships**

Key Management Personnel	Dr. D. Jayavarthanavelu, Chairman and Managing Director Sri. R. Venkatrangappan, Wholetime Director Sri. Sanjay Jayavarthanavelu, Wholetime Director
Joint Ventures	Rieter LMW Machinery Limited
Wholly Owned Subsidiary	LMW Textile Machinery (Suzhou) Co. Ltd
Other related parties-Associates	Annur Satya Textile Limited Eshaan Enterprises Limited Harshini Textiles Limited Hermes Academy of Training Limited Integrated Electrical Controls Limited Lakshmi Cargo Company Limited LCC Cargo Holdings Limited Lakshmi Electrical Drives Limited Lakshmi Technology & Engg. Industries Ltd Lakshmi Ring Travellers (Cbe) Limited Lakshmi Electrical Control Systems Limited Lakshmi Precision Tools Limited Lakshmi Life Sciences Limited Mahalakshmi Engineering Holdings Limited Quattro Engineering India Limited Sri Kamakoti Kamakshi Textiles P Ltd Super Sales India Limited Starline Travels Limited The Kuppaswamy Naidu Charity Trust for Education and Medical Relief Titan Paints & Chemicals Limited Venkatavaradha Agencies Limited Walzer Hotels Limited

2) Related Party Transactions

Rs.

	Joint Venture		Other Related Parties - Associates		Key Management Personnel		Relatives of Key Mgt Personnel		Wholly Owned Subsidiary	
	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09
Purchase of goods	-	264,240	1,363,593,950	1,607,275,988	-	-	-	-	-	-
Sale of goods	30,419,354	28,398,167	466,780,358	512,736,064	-	-	-	-	105,661,580	-
Sale of Fixed Assets	-	-	687,981	-	-	-	-	-	-	-
Rendering of Services	21,793	-	6,672,410	9,358,162	-	-	-	-	683,498	-
Receiving of Services	-	-	284,990,318	301,788,742	-	-	-	2,822,820	-	-
Agency arrangements	-	-	86,901,105	116,045,284	-	-	-	-	-	-
Managerial Remuneration	-	-	-	-	93,000,073	89,257,379	-	-	-	-
Dividends Paid	-	-	45,763,770	74,880,500	2,150,850	3,334,750	-	-	-	-
Dividends Received	-	16,250,000	-	-	-	-	-	-	-	-
Investment in Shares	-	-	-	-	-	-	-	-	87,346,875	89,239,309
Loans given	125,000,000	-	9,000,000	36,000,000	-	-	-	-	-	-
Loans received back	-	-	3,600,000	-	-	-	-	-	-	-
Interest receipts	4,219,178	-	4,002,656	2,319,346	-	-	-	-	-	-
Outstanding Payables	-	-	214,316,918	106,983,047	-	-	-	-	-	-
Outstanding Receivables	15,218,167	6,204,978	236,149,753	183,162,850	-	-	-	-	56,918,286	-

3) The under noted Companies constitutes the "group" in terms of Regulation 3 (1)(e)(i) of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as amended with effect from 09.09.2002.

1. Eshaan Enterprises Limited
2. Lakshmi Cargo Company Limited
3. Lakshmi Electrical Drives Limited
4. Lakshmi Electrical Control Systems Limited
5. Lakshmi Precision Tools Limited
6. Lakshmi Ring Travellers (Cbe) Limited
7. Lakshmi Technology & Engg. Industries Ltd
8. The Lakshmi Mills Company Limited
9. Super Sales India Limited

Signatures to schedules 1 to 13(B)

In terms of our Report of even date
For M.S.Jagannathan & Visvanathan
Firm Registration No. : 001209S
Chartered Accountants

per M.J.Vijayaraaghavan
Partner
M.No.7534

Dr. D.Jayavarthanelu
Chairman & Managing Director

R.Venkatrangappan
Wholetime Director

R. Rajendran
Chief Financial Officer

Sanjay Jayavarthanelu
Wholetime Director

Chennai
24th May, 2010

K. Duraisami
Company Secretary

For Subbachar & Srinivasan
Firm Registration No. : 004083S
Chartered Accountants

per T.S.V. Rajagopal
Partner
M.No.200380

Schedule 14 : PART IV**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

<p>I Registration No. <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>8</td><td>1</td><td>-</td><td>0</td><td>0</td><td>0</td><td>4</td><td>6</td><td>3</td></tr></table></p> <p>Balance Sheet Date <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>3</td><td>1</td><td>0</td><td>3</td><td>2</td><td>0</td><td>1</td><td>0</td></tr></table></p> <p>II Capital raised during the year (Amount in Rs. Thousands)</p> <p>Public Issue <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>N</td><td>I</td><td>L</td></tr></table></p> <p>Bonus Issue <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>N</td><td>I</td><td>L</td></tr></table></p> <p>III Position of Mobilisation and Deployment of Funds (Amount in Rs. thousands)</p> <p>Total Liabilities <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>5</td><td>9</td><td>3</td><td>3</td><td>8</td><td>2</td><td>5</td></tr></table></p> <p>Source of Funds</p> <p>Paid-up Capital <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>2</td><td>3</td><td>6</td><td>9</td><td>2</td></tr></table></p> <p>Deferred Tax Liability <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>3</td><td>3</td><td>0</td><td>9</td><td>3</td><td>8</td></tr></table></p> <p>Application of Funds</p> <p>Net Fixed Assets <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>4</td><td>4</td><td>6</td><td>5</td><td>7</td><td>3</td><td>4</td></tr></table></p> <p>Net Current Assets <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>3</td><td>9</td><td>0</td><td>8</td><td>5</td><td>2</td><td>9</td></tr></table></p> <p>Accumulated Losses <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>N</td><td>I</td><td>L</td></tr></table></p> <p>IV Performance of Company (Amount in Rs. Thousands)</p> <p>Turnover <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>2</td><td>1</td><td>9</td><td>0</td><td>4</td><td>4</td><td>6</td></tr></table></p> <p>Profit/Loss before Tax</p> <p>✓ <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>+</td><td>-</td><td>1</td><td>5</td><td>0</td><td>5</td><td>6</td><td>2</td><td>0</td></tr></table></p> <p>(Please tick the appropriate box + for Profit, - for Loss)</p> <p>Earnings per share in Rs. <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>8</td><td>4</td><td>.</td><td>6</td><td>3</td></tr></table></p> <p>(Basic and Diluted)</p> <p>V Generic Names of Three Principal Products / Services of the Company (as per monetary terms)</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 30%;">Item Code No.(ITC Code)</td> <td>Product Description:</td> </tr> <tr> <td><table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>8</td><td>4</td><td>4</td><td>5</td><td>2</td><td>0</td></tr></table></td> <td>Textile Spinning Systems</td> </tr> <tr> <td><table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>8</td><td>4</td><td>4</td><td>5</td><td>1</td><td>1</td></tr></table></td> <td>Spinning Preparatory Machines</td> </tr> <tr> <td><table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>8</td><td>4</td><td>5</td><td>8</td><td>1</td><td>1</td></tr></table></td> <td>Metal Cutting Numerically Controlled Machines</td> </tr> </table>	1	8	1	-	0	0	0	4	6	3	3	1	0	3	2	0	1	0	N	I	L	N	I	L	1	5	9	3	3	8	2	5	1	2	3	6	9	2	3	3	0	9	3	8	4	4	6	5	7	3	4	3	9	0	8	5	2	9	N	I	L	1	2	1	9	0	4	4	6	+	-	1	5	0	5	6	2	0	8	4	.	6	3	Item Code No.(ITC Code)	Product Description:	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>8</td><td>4</td><td>4</td><td>5</td><td>2</td><td>0</td></tr></table>	8	4	4	5	2	0	Textile Spinning Systems	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>8</td><td>4</td><td>4</td><td>5</td><td>1</td><td>1</td></tr></table>	8	4	4	5	1	1	Spinning Preparatory Machines	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>8</td><td>4</td><td>5</td><td>8</td><td>1</td><td>1</td></tr></table>	8	4	5	8	1	1	Metal Cutting Numerically Controlled Machines	<p>StateCode <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>8</td></tr></table></p> <p>Rights issue <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>N</td><td>I</td><td>L</td></tr></table></p> <p>Private Placement <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>N</td><td>I</td><td>L</td></tr></table></p> <p>Total Assets <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>5</td><td>9</td><td>3</td><td>3</td><td>8</td><td>2</td><td>5</td></tr></table></p> <p>Reserves & Surplus <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>9</td><td>1</td><td>3</td><td>4</td><td>0</td><td>5</td><td>6</td></tr></table></p> <p>Investments <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>2</td><td>1</td><td>4</td><td>4</td><td>2</td><td>4</td></tr></table></p> <p>Misc. Expenditure <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>N</td><td>I</td><td>L</td></tr></table></p> <p>Total Expenditure <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>0</td><td>6</td><td>8</td><td>4</td><td>8</td><td>2</td><td>6</td></tr></table></p> <p>Profit/Loss after Tax</p> <p>✓ <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>+</td><td>-</td><td>1</td><td>0</td><td>4</td><td>6</td><td>8</td><td>3</td><td>9</td></tr></table></p> <p>Dividend Rate % <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>5</td><td>0</td></tr></table></p>	1	8	N	I	L	N	I	L	1	5	9	3	3	8	2	5	9	1	3	4	0	5	6	1	2	1	4	4	2	4	N	I	L	1	0	6	8	4	8	2	6	+	-	1	0	4	6	8	3	9	1	5	0
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Dr. D.Jayavarthanavelu
Chairman & Managing Director

R.Venkatrangappan
Wholetime Director

R. Rajendran
Chief Financial Officer

Sanjay Jayavarthanavelu
Wholetime Director

Chennai
24th May, 2010

K. Duraisami
Company Secretary

CORPORATE INFORMATION

Rs. in lakhs

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Profit and Loss Account										
Sales	53,008	42,493	52,545	66,350	99,077	130,207	185,358	220,516	133,801	113,690
Other Income	2,195	1,471	1,454	1,991	3,293	4,253	8,814	8,755	9,062	8,214
Profit before tax	3,490	2,336	3,871	6,044	11,088	18,792	30,860	37,116	15,417	15,056
Profit after tax	2,740	1,471	2,539	6,022	7,334	14,807	20,620	24,230	10,693	10,468
Balance Sheet										
Fixed Assets	18,001	15,601	13,703	16,661	16,055	24,632	38,643	55,790	52,737	44,657
Investments	13,865	14,007	15,045	12,836	6,622	10,153	10,216	10,319	11,272	12,144
Net Current Assets	4,248	4,176	3,466	10,518	10,945	9,089	12,225	14,389	24,976	39,085
	36,114	33,784	32,214	40,015	33,622	43,874	61,084	80,498	88,985	95,887
Share Capital	1,219	1,219	1,219	1,237	1,237	1,237	1,237	1,237	1,237	1,237
Reserves and Surplus	25,484	25,239	28,618	33,049	32,385	42,637	56,795	74,513	83,036	91,341
Loan Funds / Deferred Tax Liability	9,411	7,326	2,377	5,729	0	0	3,052	4,748	4,712	3,309
	36,114	33,784	32,214	40,015	33,622	43,874	61,084	80,498	88,985	95,887

RATIOS

Measures of Investment		2009-10	2008-09
Dividend per share (Rs.)		15	15
EPS (Rs.)	Net Profit after tax / No. of Shares	84.63	86.45
Return on Equity (%)	Net Profit after tax / Shareholders' funds	11.31	12.69
Dividend Cover (Times)	Earnings per Share / Dividend per Share	5.64	5.76
Measures of Performance			
Net Profit Margin (%)	Profit before taxes / Sales	13.24	11.52
Assets Turnover (Times)	Sales / Net Fixed Assets	2.55	2.54
Measures of Financial status			
Current Ratio (Times)	Current Assets / Current Liabilities	1.62	1.33
Tax Ratio (%)	Tax Provision / Profit before taxes	29.87	33.73

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956
RELATING TO SUBSIDIARY COMPANIES :**

1 Name of the Subsidiary	: LMW Textile Machinery (Suzhou) Company Limited
2 Financial year of the Subsidiary	: 1st January, 2009 to 31st December, 2009 (1st April 2009 to 31 March 2010 - For consolidation purpose)
3 Shares of the subsidiary held by Lakshmi Machine Works Limited on the above date	:
(a) Number and face value	: Registered capital : USD 12,500,000 Paid in capital : USD 3,749,976
(b) Extent of holding	: 100%
4 Net aggregate amount of Profit/(Losses) of the subsidiary of the above financial year of the subsidiary so far as they are concerned members of Lakshmi Machine Works Limited	(46,571,698)
(a) dealt within the accounts of Lakshmi Machine Works Limited for the year ended 31st March, 2010	: NIL
(b) not dealt within the accounts of Lakshmi Machine Works Limited for the year ended 31st March, 2010	: (46,571,698)
5 Net aggregate amount of Profits/(losses) for the previous financial years of the subsidiary since it became subsidiary so far as they are concerned members of Lakshmi Machine Works Limited.	: (46,571,698)
(a) dealt within the accounts of Lakshmi Machine Works Limited for the year ended 31st March, 2010	: NIL
(b) not dealt within the accounts of Lakshmi Machine Works Limited for the year ended 31st March, 2010	: (46,571,698)
6 Change of interest of Lakshmi Machine Works Limited in the subsidiary between the end of financial year of subsidiary and that of Lakshmi Machine Works Limited	: NOT APPLICABLE
7 Material changes between the end of the financial year of the subsidiary and the end of the financial year of Lakshmi Machine Works Limited in respect of subsidiary's fixed assets, investments, lending and borrowing for the purposes other than meeting their current liabilities	: NOT APPLICABLE

Dr. D.Jayavarthanavelu
Chairman & Managing Director

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Chief Financial Officer

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Wholetime Director

Chennai
24th May, 2010

K. Duraisami
Company Secretary

**ACCOUNTS OF
LMW TEXTILE MACHINERY (SUZHOU) CO. LTD.
(Wholly owned subsidiary)**

SUZHOU ALLPRO

Certified Public Accountants Co., Ltd.
10F International Building, 2 Suhua Road
Suzhou Industry Park P.R.China

AUDITOR'S REPORT

SZQ2010 No. 6222

The Board of Directors of LMW Textile Machinery (Suzhou) Co., Ltd.

We have audited the accompanying financial statements of LMW Textile Machinery (Suzhou) Co., Ltd., which comprise the balance sheet as at March 31, 2010, and the income statement, cash flow statement for the period from April 1 2009 to March 31, 2010, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Enterprise accounting standards and Enterprise accounting regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Certified Public Accountants Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable

assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects of the financial position of LMW Textile Machinery (Suzhou) Co., Ltd as of March 31, 2010, and of its financial performance and its cash flows for the period from April 1, 2009 to March 31, 2010 in accordance with Enterprise accounting standards and Enterprise accounting regulations.

Suzhou Allpro Certified Public Accountant Co., Ltd.

CICPA Zhang Su

CICPA Meng Yuhan

Suzhou, The People's Republic of China

April 26,2010

BALANCE SHEET AS AT 31st MARCH 2010

	Notes	31.03.2010		31.03.2009	
		Renminbi Yuan	Indian Rupees	Renminbi Yuan	Indian Rupees
Assets					
Current Assets					
Cash and bank balances	5(a)	7,620,804	50,213,477	9,877,185	73,249,916
Bill receivables	5(b)	3,406,000	22,442,134	0	0
Trade receivables		0	0	0	0
Other receivables	5 (c)	331,501	2,184,260	257,988	1,913,264
Payments in advance		238,672	1,572,610	0	0
Inventories	5(d)	5,662,587	37,310,784	0	0
Deferred expenses		329,500	2,171,076	246,250	1,826,207
Total Current assets		17,589,064	115,894,341	10,381,423	76,989,387
Fixed assets					
Cost	5(e)	4,388,373	28,914,989	5,385	39,933
Less : Accumulated depreciation	5(e)	617,381	4,067,922	81	599
Sub-total Fixed assets	5(e)	3,770,992	24,847,067	5,304	39,334
Construction in progress (Factory leasehold improvement)	5(f)	5,036,656	33,186,528	2,248,000	16,671,330
Total fixed assets		8,807,648	58,033,595	2,253,304	16,710,664
Intangible and other assets					
Long term deferred expenses	5(g)	0	0	201,947	1,497,657
Total intangible and other assets		0	0	201,947	1,497,657
Total assets		26,396,712	173,927,936	12,836,674	95,197,708
Liabilities and investor's equity					
Current Liabilities					
Short-term loans		0	0	0	0
Trade payables	5(h)	2,889,504	19,038,945	0	0
Revenue received in advance		5,865,360	38,646,857	0	0
Accrued Payroll		228,623	1,506,394	6,103	45,262
Welfare Payable		0	0	0	0
Taxes Payable	5(i)	(1,724,303)	(11,361,430)	(1,090)	(8,082)
Other Payable		148,005	975,203	2,756	20,441
Accrued expenses		109,854	723,828	14,300	106,050
Long term liabilities due within one year		0	0	0	0
Total current liabilities		0	0	0	0
Long term liabilities		0	0	0	0
Long term loans		0	0	0	0
Total current liabilities		7,517,043	49,529,797	22,069	163,671
Investors equity					
Paid-in capital	5(j)	25,615,524	176,586,184	12,814,605	89,239,309
Undistributed profit (Accumulated losses)	5(k)	(6,735,855)	(46,571,698)	0	0
Foreign Currency Translation Reserve			(5,616,347)		5,794,728
Total investor's equity		18,879,669	124,398,139	12,814,605	95,034,037
Total liabilities and investor's equity		26,396,712	173,927,936	12,836,674	95,197,708

The accompanying notes form an integral part of the financial statements

K Soundhar Rajhan
Legal Representative

Suzhou, The People's Republic of China
26th April, 2010

Sujit Sahu
General Manager

ZhangSu

Meng Yuhuan
Suzhou Allpro
Certified Public Accountant Co. Ltd

INCOME AND PROFIT APPROPRIATION STATEMENT FOR THE YEAR ENDED 31st MARCH 2010

	Notes	31.03.2010		31.03.2009	
		Renminbi Yuan	Indian Rupees	Renminbi Yuan	Indian Rupees
Sales from principal activities	5(l)	6,071,795	41,980,392	0	0
Less : Cost of sales from principal activities		5,807,702	40,154,452	0	0
Business tax and surcharges		0	0	0	0
Profit from principal activities		264,093	1,825,940	0	0
Add : Profit from other activities		2,614	18,070	0	0
Less : Distribution and marketing expenses		1,128,030	7,799,200	0	0
Administration expenses		5,804,585	40,132,903	0	0
Financial expenses		69,946	483,605	0	0
Operating profit / (Loss)		(6,735,854)	(46,571,698)	0	0
Add : Non-operating income		0	0	0	0
Less ; Non-operating expenses		0	0	0	0
Profit before income tax		(6,735,854)	(46,571,698)	0	0
Less : Income tax		0	0	0	0
Net Profit		(6,735,854)	(46,571,698)	0	0
Add : Undistributed profit at beginning of the year		0	0	0	0
Distributable profit		(6,735,854)	(46,571,698)	0	0
Less : Statutory surplus reserve		0	0	0	0
Distributed profit		0	0	0	0
Undistributed profit at the end of the year		(6,735,854)	(46,571,698)	0	0

The accompanying notes form an integral part of the financial statements

K Soundhar Rajhan
Legal Representative

Suzhou, The People's Republic of China
26th April, 2010

Sujit Sahu
General Manager

ZhangSu

Meng Yuhuan
Suzhou Allpro
Certified Public Accountant Co. Ltd

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010

	Notes	31.03.2010		31.03.2009	
		Renminbi Yuan	Indian Rupees	Renminbi Yuan	Indian Rupees
1. Cashflows from operating activities					
Proceeds from goods selling and rendering of service		9,563,804	60,826,755	0	0
Proceeds from other operating activities		2,614	17,221	0	0
Sub-total of cash inflows		9,566,418	60,843,976	0	0
Payments to suppliers		10,413,854	68,616,882	0	0
Payments to and for employee		1,742,947	11,484,279	0	0
Taxes payment		15,181	100,028	0	0
Payments to other operating activities		4,694,771	30,933,842	0	0
Sub-total of cash outflows		16,866,753	111,135,031	0	0
Net cash generated by/(used in) operating activities	(1)	(7,300,335)	(50,291,055)	0	0
2. Cashflows from investing activities					
Payments for fixed assets and intangible assets		7,756,964	51,110,638	2,937,420	15,989,394
Sub-total of cash outflows		7,756,964	51,110,638	2,937,420	15,989,394
Net cash generated by/(used in) investing activities		(7,756,964)	(51,110,638)	(2,937,420)	(15,989,394)
3. Cash flows from financing activities					
Proceeds from investor contribution		12,800,918	87,346,875	12,814,605	89,239,309
Sub-total of cash inflows		12,800,918	87,346,875	12,814,605	89,239,309
Repayment of borrowings		0	0	0	0
Dividends and interests payments		0	0	0	0
Sub-total of cash outflows		0	0	0	0
Net cash generated by/(used in) financing activities		12,800,918	87,346,875	12,814,605	89,239,309
4. Effect of foreign exchange rate changes on cash		0	8,981,617	0	0
5. Net increase/(decrease) in cash and cash equivalents	(2)	(2,256,381)	(23,036,435)	9,877,185	73,249,915

The accompanying notes form an integral part of the financial statements

K Soundhar Rajhan
Legal Representative

Suzhou, The People's Republic of China
26th April, 2010

Sujit Sahu
General Manager

ZhangSu

Meng Yuhuan
Suzhou Allpro
Certified Public Accountant Co. Ltd

NOTES TO CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010

	31.03.2010		31.03.2009	
	Renminbi Yuan	Indian Rupees	Renminbi Yuan	Indian Rupees
1. Reconciliation of net profit to cash flows from operating activities				
Net profit for the year	(6,735,855)	(46,571,698)	0	0
Add : Provision of assets impairment	0	0	0	0
Depreciation of fixed assets	617,300	4,067,390	0	0
Amortization of intangible assets	0	0	0	0
Amortisation of long term deferred expenses	925,173	6,095,964	0	0
Decrease/(Increase) in deferred expenses	(83,250)	(548,534)	0	0
Increase/(Decrease) in accrued expenses	95,554	629,605	0	0
Disposal loss/(gain) of fixed assets, intangible assets and other long-term assets	0	0	0	0
Loss on scrapping of fixed assets	0	0	0	0
Financial expenses	0	0	0	0
Decrease/(Increase) in inventories	(5,662,587)	(37,310,784)	0	0
Decrease/(Increase) in operating receivables	(3,093,815)	(20,385,147)	0	0
Increase/(Decrease) in operating payables	6,637,145	43,732,149	0	0
Net cash generated by/(used in) operating activities	(7,300,335)	(50,291,055)	0	0
2. Net increase/(decrease) in cash and cash equivalents				
Cash and cash equivalents at the end of the financial year	7,620,804	50,213,480	9,877,185	73,249,915
Less : Cash and cash equivalents at the beginning of the financial year	9,877,185	73,249,915	0	0
Net increase/(decrease) in cash and cash equivalents	(2,256,381)	(23,036,435)	9,877,185	73,249,915

The accompanying notes form an integral part of the financial statements

K Soundhar Rajhan
Legal Representative

Suzhou, The People's Republic of China
26th April, 2010

Sujit Sahu
General Manager

ZhangSu
Meng Yuhuan
Suzhou Allpro
Certified Public Accountant Co. Ltd

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

(Expressed in Renminbi Yuan unless otherwise stated)

1. General information

LMW Textile Machinery (Suzhou) Co., Ltd ("the Company") is wholly owned foreign enterprise established in Wujiang Economic development Park by LAKSHMI MACHINE WORKS LIMITED, India. The Company obtained the Business License (No.320584400014650) from Jiangsu Province on August 27, 2008.

The registered capital is USD 12,500,000. The registered capital contribution of investor is described in note 5(j).

The business duration is 50 years. The Company's approved scope of operation includes research, development and manufacturing of new-type textile machinery and key components; sale of the self-manufactured product and providing installation, commissioning and repairing of the above mentioned product and related technical and after sales service.

The Company started operation from June 2009.

2. Basis of preparation

The principle accounting policies adopted in the preparation of the financial statements are in conformity with the Accounting Standards for Business Enterprises and the Accounting Regulations for Business Enterprises issued by the Ministry of the Finance of the PRC (MOF). (CAS may be available). The accounting policies comply with the legal and reporting requirements of the relevant government authorities. Accordingly, the basis of measurement and presentation in the financial statements may not be in compliance with the accounting principles and practices generally accepted in countries and jurisdictions other than PRC and may not be suitable for any purpose other than for statutory reporting.

3. Significant accounting policies

(a) Accounting year

The accounting year of the Company is from January 1 to December 31. This report period of the Company is from April 1, 2009 to March 31, 2010.

(b) Basis of preparation and measurement basis

The financial statements of the Company have been prepared on an accrual basis. Assets are initially recorded at their acquired costs. Subsequently, if they are impaired, then impairment provisions are recorded accordingly.

(c) Functional currency

The functional currency of the Company is Renminbi.

(d) Translation of foreign currency

Transactions denominated in foreign currencies are translated into Renminbi at the official exchange rates stipulated by the People's Bank of China prevailing at the first day of the month when transactions take place. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated into Renminbi at the official exchange rates at the balance sheet date. Exchange differences of foreign currency translation occurred during the start up period is capitalized. Exchange differences arising from translations are expensed in normal operation, except for those attributable to foreign currency borrowings that have been taken out specifically for the construction of fixed assets, which are capitalized as part of the fixed asset cost.

Contributions to paid-in capital made in foreign currencies are translated into the Renminbi denominated paid-in capital account at the stipulated exchange rates at the contribution dates.

(e) Cash equivalent

Cash equivalents represent short-term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

(f) Provision for bad and doubtful debts

Receivables includes trade receivable and other receivables. The Company makes provision for doubtful debts. The accounts receivable presents at the amount net of provision of doubtful debts.

- Trade receivable

Trade receivable includes amount with related and unrelated parties, which presents at amount net of provision for doubtful debts. The provision is estimated based on assessment of collectibility of individual accounts receivable. The special provision is determined based on their specific nature and management's estimate of their collectibility which shows signs of uncollectibility.

- Other receivable

The provision for other receivable is estimated based on assessment of collectibility of individual other receivable.

- Recognition criteria of bad debts loss

Where evidence exists that balances cannot be collected, bad debts are recognized and the corresponding provision for doubtful debts is written off.

(g) Inventories

Inventories include raw materials, work in progress, finished goods and consumable materials, and are presented at actual. Inventories are measured at the lower of cost and net realizable value. Any excess of the cost over the net realizable value of inventories is recognized as a provision for diminution in value of inventories.

Inventories are recorded at their actual cost on acquisition. Cost is accounted for using the weighted average method. The cost of finished goods and work in progress comprises raw material, direct labour and an allocation of all

production overhead expenditures incurred based on normal operating capacity.

Provisions for diminution in the value of inventories are determined on an item-by-item basis when the carrying value of the inventories is higher than their net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and estimated expenses and taxes necessary to conclude the sale.

(h) Fixed assets

Fixed assets are assets with comparatively high unit values held by the Company for use in the production of goods, the supply of services and for administrative purpose. Assets are expected to be used for more than one year.

Acquired and self-constructed asset is accounted at initial cost. Subsequent cost is capitalized, that is recognized as an asset, only if they meet the recognition criteria that it is probable that future economic benefits associated with the item will flow to the entity; and the cost of the item can be measured reliably. Subsequent cost is recognized in profit and loss as incurred if they cannot meet the recognition criteria.

Fixed assets are depreciated by using straight-line method over estimated useful lives.

If fixed asset is impaired, the depreciation is calculated as net book value allocating to remaining useful lives.

The classification, respective estimated useful lives and the estimated rate of residual values on cost for the Company's fixed assets are as follows:

	Estimated	Estimated residual	Annual
	useful lives	value rate	depreciation rate
Production equipment	5 years	10%	18%
Vehicle	5 years	10%	18%
Office facility	5 years	10%	18%
Electronic appliance	5 years	10%	18%
Plant decoration	5 years	0%	20%

Proceeds from disposal of fixed assets after deducting net book value and taxes recognize as non-operating income or non-operating expenses.

- (i) Construction in progress
Construction in progress records the fixed assets or other capitalized expenditure that to be built, fixed or prepared for a period to reach the working condition of the asset construction, asset installment and asset preparation. Cost of construction in progress includes all direct expenditures incurred for construction projects, and other related expenses. Construction in progress is transferred to fixed assets when it has reached the working condition for its intended use.

- (j) Impairment
Except for the recognition of impairment provisions against accounts receivables as disclosed in their respective accounting policies, for assets other than those mentioned above, when events or changes in circumstances indicates that the carrying value are higher than their recoverable amounts, then tests for impairment are undertaken. If the carrying amount is higher than the recoverable amount, then the excess is recognized as an impairment provision and taken into the profit and loss.

The recoverable amount of a single asset item is the higher of its net selling price and its value in use. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, after deducting any direct incremental disposal costs. Value in use is the present value of estimated future cash flows expected to be derived from continuing use of an asset and from its disposal at the end of its useful life.

If there are indications that the impairment loss recognized for an asset in prior years no longer exists or have decreased, the recoverable amount of the asset will be assessed. If the carrying value of the asset impairment is reversed to the extent of impairment loss that had been recognized in previous years.

- (k) Long-term deferred assets
Long-term deferred assets record organisation expense. Organisation expenses are necessary for rendering the Company

appropriate and proper to operate on a manufacturing basis. These expenses are expensed in the month when the Company begins production.

- (l) Revenue recognition
- Sale of goods
Sales revenue is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and it is probable that the economic benefits associated with the transaction will flow to the Company and the relevant revenue and cost can be measured reliably.

- (m) Income tax
Income tax is recognized when payable under the tax payable method. Current tax for the year is provided at the applicable tax rate on taxable income.

- (n) Related party
If the Company has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Company and one or more parties are subject to common control from another party, they are considered to be related parties. Related parties may be individuals or enterprises.

4. Taxation

- (a) Corporate income tax (CIT)
The Company's CIT calculated in accordance with 'Corporate Income Tax Law' promulgated on March 16, 2007. And the applicable tax rate for the year of 2009 is 25%.

- (b) Value added tax
The Company's sales of self-manufactured products are subject to Value Added Tax (VAT).

The applicable tax rate is 17%.

VAT payable represents the balance of output VAT minus verified input VAT. Output VAT is calculated at 17% of sales revenue.

5. Notes to main reporting items	March 31, 2010		March 31, 2009	
	Renminbi Yuan	Indian Rupees	Renminbi Yuan	Indian Rupees
a) Cash and bank balances				
Cash	9,632	63,466	11,912	88,343
Bank	7,611,172	50,150,011	9,865,273	73,161,573
	7,620,804	50,213,477	9,877,185	73,249,916

For the purpose of the cash flow statement, cash represents above cash at bank and on hand

b) Bill receivable	March 31, 2010		March 31, 2009	
	Renminbi Yuan	Indian Rupees	Renminbi Yuan	Indian Rupees
Bank acceptance	3,406,000	22,442,134	0	0
	3,406,000	22,442,134	0	0
c) Other Receivables				
Deposit	269,708	1,777,106	256,488	1,902,133
Advance to employees	50,418	332,204	0	0
Others	11,375	74,950	1,500	11,131
	331,501	2,184,260	257,988	1,913,264

Upto March 31, 2010, the Management asserts there is no uncollectable debt.

d) Inventories	March 31, 2010		March 31, 2009	
	Renminbi Yuan	Indian Rupees	Renminbi Yuan	Indian Rupees
Raw Material	2,770,312	18,253,584	0	0
Finished goods	2,892,275	19,057,200	0	0
	5,662,587	37,310,784	0	0

As at March 31, 2010 there is no indication of impairment loss for inventories by the estimation of the management

e) Fixed assets	March 31, 2009		Current year additions		Current year disposals		March 31, 2010	
	Renminbi Yuan	Indian Rupees	Renminbi Yuan	Indian Rupees	Renminbi Yuan	Indian Rupees	Renminbi Yuan	Indian Rupees
Cost								
Production equipment	0	0	453,345	2,987,089	0	0	453,345	2,987,089
Vehicle	0	0	417,320	2,749,719	0	0	417,320	2,749,719
Office facility	0	0	177,062	1,166,664	0	0	177,062	1,166,664
Electronic appliance	5,385	39,933	310,601	2,042,099	0	0	315,986	2,082,032
Plant decoration	0	0	3,024,660	19,929,485	0	0	3,024,660	19,929,485
	5,385	39,933	4,382,988	28,875,056	0	0	4,388,373	28,914,989
Accumulated depreciation								
Production equipment	0	0	43,150	284,314	0	0	43,150	284,314
Vehicle	0	0	21,411	141,077	0	0	21,411	141,077
Office facility	0	0	36,624	241,316	0	0	36,624	241,316
Electronic appliance	81	599	12,005	79,103	0	0	12,086	79,635
Plant decoration	0	0	504,110	3,321,580	0	0	504,110	3,321,581
	81	599	617,300	4,067,390	0	0	617,381	4,067,922
Net book value								
Production equipment	0	0	410,195	2,702,775	0	0	410,195	2,702,775
Vehicle	0	0	395,909	2,608,642	0	0	395,909	2,608,642
Office facility	0	0	140,438	925,348	0	0	140,438	925,348
Electronic appliance	5,304	39,334	298,596	1,962,996	0	0	303,900	2,002,397
Plant decoration	0	0	2,520,550	16,607,906	0	0	2,520,550	16,607,905
	5,304	39,334	3,765,688	24,807,667	0	0	3,770,992	24,847,067

Up to March 31, 2010, the Management asserts there are no indications of impairment on fixed assets. Therefore, no provision for impairment has been made.

f) Construction in progress	March 31, 2010		March 31, 2009	
	Renminbi Yuan	Indian Rupees	Renminbi Yuan	Indian Rupees
At the beginning	2,248,000	16,671,330	0	0
Current year increase	6,044,656	39,828,240	2,248,000	16,671,330
Current year transfer to fixed asset	3,256,000	23,313,042	0	0
As at Ending	5,036,656	33,186,528	2,248,000	16,671,330

g) Long term deferred expense	Beginning Balance		Current year additions		Current year amortization		Ending Balance	
	Renminbi Yuan	Indian Rupees	Renminbi Yuan	Indian Rupees	Renminbi Yuan	Indian Rupees	Renminbi Yuan	Indian Rupees
Start expenses	201,947	1,497,657	723,225	4,765,333	925,173	6,095,964	0	0
	201,947	1,497,657	723,225	4,765,333	925,173	6,095,964	0	0

h) Trade payable	March 31, 2010		March 31, 2009	
	Renminbi Yuan	Indian Rupees	Renminbi Yuan	Indian Rupees
Due to related party	1,661,072	10,944,805	0	0
Due to unrelated party	1,047,307	6,900,707	0	0
Accrued payable	181,125	1,193,433	0	0
	2,889,504	19,038,945	0	0
i) Taxes payable				
	Renminbi Yuan	Indian Rupees	Renminbi Yuan	Indian Rupees
Value added tax	(1,724,303)	(11,361,430)	(1,090)	(8,082)

j) Paid in capital	March 31, 2010		March 31, 2009	
	USD	%	USD	%
Registered Capital				
Lakshmi Machine Works Limited	12,500,000	100	12,500,000	100
	March 31, 2010		March 31, 2009	
	USD	RMB	USD	RMB
Paid in Capital				
Lakshmi Machine Works Limited	3,749,976	25,615,524	1,874,988	12,814,605

Note : All paid-in capital has been verified by Certified Public Accountants Co. Ltd.,

k) Undistributed profit	March 31, 2010		March 31, 2009	
	Renminbi Yuan	Indian Rupees	Renminbi Yuan	Indian Rupees
Undistributed profit at beginning	0	0	0	0
Add : Current year profit	(6,735,855)	(46,571,698)	0	0
Less : Statutory surplus reserve	0	0	0	0
Undistributed profit at the ending	(6,735,855)	(46,571,698)	0	0
l) Sales from principal activities	6,071,795	41,980,392	0	0

6. Related party and related party transaction		Registered address	Relationship with the Company
a) Related party with controlling relationship			
Company Name			
Lakshmi Machine Works Limited		India	Parent company
b) Registered capital of related party with controlling relationship and its changes			
Lakshmi Machine Works Limited		Of paid in capital	
As at March 31, 2009		100%	
As at March 31, 2010		100%	

c) **Related party transaction pricing method**

The price of related party transaction is decided in reference to market price.

d) Material related party transactions	March 31, 2010		March 31, 2009	
	Renminbi Yuan	Indian Rupees	Renminbi Yuan	Indian Rupees
Material purchasing				
Lakshmi Machine Works Limited	8,676,262	57,167,893	0	0
Equipment purchasing				
Lakshmi Machine Works Limited	103,733	683,498	0	0
e) The balance of related party transactions				
Lakshmi Machine Works Limited	1,661,072	10,944,805	0	0

CONSOLIDATED FINANCIAL STATEMENTS

Auditor's Report to the Board of Directors of M/s. LAKSHMI MACHINE WORKS LIMITED on the Consolidated Financial Statements of M/s.LAKSHMI MACHINE WORKS LIMITED and its subsidiary.

We have examined the attached Consolidated Balance Sheet of M/s.LAKSHMI MACHINE WORKS LIMITED [the Company] and its subsidiary as at 31st March 2010, the Consolidated Profit and Loss Account and the consolidated cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

- 1) We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material aspects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
- 2) We did not audit the financial statements of the subsidiary, viz., LMW Textile Machinery (Suzhou) Company Limited, whose financial statements reflect total assets Rs. 1739.28 Lakhs as at 31st March 2010 and total revenues of Rs. 419.98 lakhs. These financial statements have been audited by other auditors whose reports have

been furnished to us and our opinion, in so far as it relates to the amounts included in respect of the subsidiary, is based solely on the reports of the other auditors.

- 3) We report that the consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS)21, "Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiary.
- 4) On the Basis of the information and explanation given to us and on the consideration of the separate audit reports on individual financial statements of the Company and its aforesaid subsidiary we are of the opinion that :
 - (a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of the Company and its subsidiary as at 31st March 2010.
 - (b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of the Company and its subsidiary for the period then ended.
 - (c) The Consolidated cash flow statement gives a true and fair view of the consolidated cash flows of the Company and its subsidiary for the period then ended.

For M S Jagannathan & Visvanathan

Firm Registration No. : 001209S

Chartered Accountants, Auditors

per M J Vijayaraaghavan

(Partner)

Membership No.7534

Chennai

24th May, 2010

For Subbachar & Srinivasan

Firm Registration No. : 004083S

Chartered Accountants, Auditors

per T S V Rajagopal

(Partner)

Membership No. 200380

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2010

	Schedule	31.03.2010 Rs.		31.03.2009 Rs.	
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
Share Capital	1	123,692,500		123,692,500	
Reserves and Surplus	2	9,080,994,553	9,204,687,053	8,309,368,210	8,433,060,710
Deferred Tax Liability			330,938,496		471,184,228
TOTAL			9,535,625,549		8,904,244,938
APPLICATION OF FUNDS					
FIXED ASSETS					
Gross Block		13,705,990,762		13,443,896,797	
Less : Depreciation		9,217,008,947		8,257,974,768	
Net Block	3	4,488,981,815		5,185,922,029	
Capital Work in Progress		34,786,528	4,523,768,343	104,517,324	5,290,439,353
INVESTMENTS	4		1,037,837,669		1,037,837,669
CURRENT ASSETS, LOANS & ADVANCES	5				
Inventories		1,186,390,467		824,599,946	
Sundry Debtors		581,518,425		517,521,593	
Cash & Bank Balances		7,323,366,795		6,270,270,043	
Other Current Assets		237,396,675		216,484,866	
Loans and Advances		1,040,431,270		778,115,431	
		10,369,103,632		8,606,991,879	
Less :					
CURRENT LIABILITIES & PROVISIONS	6				
Current Liabilities		6,156,027,359		5,782,624,400	
Provisions		239,056,736		249,897,220	
		6,395,084,095		6,032,521,620	
NET CURRENT ASSETS			3,974,019,537		2,574,470,259
Miscellaneous Expenditure (to the extent not written off or adjusted)					
Long Term Deferred Expenses			0		1,497,657
TOTAL			9,535,625,549		8,904,244,938
Significant Accounting Policies	12A				
Notes forming part of Accounts	12B				
Additional Disclosures	13A,13B				

The Schedules referred to above form an integral part of this Balance Sheet.

In terms of our Report of even date
For M.S.Jagannathan & Visvanathan
Firm Registration No. : 001209S
Chartered Accountants

per **M.J.Vijayaaraghavan**
Partner
M.No.7534

Dr. D.Jayavarthanavelu
Chairman & Managing Director

R.Venkatrangappan
Wholetime Director

R. Rajendran
Chief Financial Officer

Sanjay Jayavarthanavelu
Wholetime Director

Chennai
24th May, 2010

K. Duraisami
Company Secretary

For Subbachar & Srinivasan
Firm Registration No. : 004083S
Chartered Accountants

per **T.S.V. Rajagopal**
Partner
M.No.200380

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

	Schedule	31.03.2010 Rs.	31.03.2009 Rs.
INCOME			
Gross Sales		12,240,871,446	15,018,003,457
Less : Excise Duty		935,508,815	1,637,864,045
Net Sales		11,305,362,631	13,380,139,412
Other Income	7	820,427,753	906,220,768
Total		12,125,790,384	14,286,360,180
EXPENDITURE			
Operating Expenses	8	7,684,507,251	9,280,294,474
Employee Cost	9	1,180,143,695	1,197,918,650
Administrative & Selling Expenses	10	841,265,503	1,090,263,375
Depreciation		962,274,055	1,176,172,742
Total		10,668,190,504	12,744,649,241
PROFIT BEFORE TAX		1,457,599,880	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		998,819,035	1,069,348,670
Add/(Less): Transfer from/(to) Investment Fluctuation Reserve		607,808,970	(363,191,190)
Balance Brought forward		5,243,968,357	4,874,881,938
BALANCE AVAILABLE FOR APPROPRIATION		6,850,596,362	5,581,039,418
APPROPRIATIONS			
Proposed Dividend		185,538,750	185,538,750
Tax on Proposed Dividend		30,817,986	31,532,311
Amount transferred to General Reserve		110,000,000	120,000,000
Surplus carried to Balance Sheet		6,524,239,626	5,243,968,357
		6,850,596,362	5,581,039,418
Basic and Diluted Earnings per share -Nominal value Rs.10 per Share	11	80.75	86.45
Significant Accounting Policies	12A		
Notes forming part of Accounts	12B		
Additional Disclosures	13A,13B		

The Schedules referred to above form an integral part of this Profit and Loss Account.

In terms of our Report of even date
For M.S.Jagannathan & Visvanathan
Firm Registration No. : 001209S
Chartered Accountants

per M.J.Vijayaraaghavan
Partner
M.No.7534

For Subbuchar & Srinivasan
Firm Registration No. : 004083S
Chartered Accountants

per T.S.V. Rajagopal
Partner
M.No.200380

Dr. D.Jayavarthanelu
Chairman & Managing Director

R.Venkatrangappan
Wholetime Director

R. Rajendran
Chief Financial Officer

Sanjay Jayavarthanelu
Wholetime Director

Chennai
24th May, 2010

K. Duraisami
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR 2009-10

Particulars	31.03.2010 Rs.		31.03.2009 Rs.	
A. Cash Flow from Operating Activities				
Net Profit before tax		1,457,599,880		1,541,710,939
Adjustments for :				
Depreciation	962,274,056		1,176,172,742	
Profit on sale of assets	(229,860)		(2,832,402)	
Loss on sale of assets	77,588		1,311,780	
Interest income	(486,766,180)		(509,876,972)	
Dividend income	(1,266,589)		(26,171,996)	
Amortisation of long term deferred expenses	6,095,964		0	
Unrealised Loss / (Gain) on Foreign Currency Cash and cash equivalents	16,668	480,201,647	11,089	638,614,241
Operating Profit before Working Capital Changes		1,937,801,527		2,180,325,180
(Increase)/Decrease in trade and other receivables	(358,121,553)		1,308,305,886	
(Increase)/Decrease in inventories	(316,691,209)		535,300,517	
Increase/(Decrease) in trade and other payables	483,912,767	(190,899,995)	(2,023,619,627)	(180,013,224)
Cash generated from operations		1,746,901,532		2,000,311,956
Direct taxes paid		(668,433,424)		(621,537,160)
Net Cash from Operating activities		1,078,468,108		1,378,774,796
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets		(202,146,888)		(898,722,396)
Proceeds from sale of fixed assets		975,730		13,343,167
Purchase of Investments		0		(6,973,570)
Sale of Investments		0		971,600
Loans Given		(9,000,000)		(36,000,000)
Loans received back		3,600,000		0
Loans given to Joint Venture Company		(125,000,000)		0
Interest received		521,438,204		470,829,451
Dividend received		1,266,589		26,171,996
Net cash used in investing activities		191,133,635		(430,379,752)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Dividends paid		(184,967,101)		(308,101,261)
Corporate dividend taxes paid		(31,532,311)		(52,553,851)
Net cash used in financing activities		(216,499,412)		(360,655,112)
Net increase in cash and cash equivalents (A+B+C)		1,053,102,331		587,739,932
Cash and cash equivalents at beginning of the period - D		6,270,281,132		5,682,541,200
Cash and cash equivalents at end of the period - E		7,323,383,463		6,270,281,132
Net increase in cash and cash equivalents (E-D)		1,053,102,331		587,739,932
Cash & Cash equivalents as per Balance Sheet		7,323,366,795		6,270,270,043
Unrealised Loss / (Gain) on Foreign Currency Cash and cash equivalents		16,668		11,089
Cash and Cash equivalents as per Cashflow Statement		7,323,383,463		6,270,281,132
Note : Cash and cash equivalents include the following balances not available for use :				
Unpaid dividend warrant account		9,759,670		9,188,021
Unpaid Debenture and Interest account		4,798,898		5,123,475

In terms of our Report of even date
For M.S.Jagannathan & Visvanathan
Firm Registration No. : 001209S
Chartered Accountants

per M.J.Vijayaraghavan
Partner
M.No.7534

For Subbarchar & Srinivasan
Firm Registration No. : 004083S
Chartered Accountants

per T.S.V. Rajagopal
Partner
M.No.200380

Dr. D.Jayavarthanavelu
Chairman & Managing Director

R.Venkatrangappan
Wholetime Director

R. Rajendran
Chief Financial Officer

Sanjay Jayavarthanavelu
Wholetime Director

Chennai
24th May, 2010

K. Duraisami
Company Secretary

CONSOLIDATED SCHEDULES ANNEXED TO BALANCE SHEET

	31.03.2010 Rs.		31.03.2009 Rs.							
Schedule 1 : SHARE CAPITAL										
Authorised:										
25,000,000 Equity Share of Rs.10/- each		250,000,000		250,000,000						
Issued, Subscribed, Called and paid up:										
12,369,250 Equity Shares of Rs.10/- each fully paid up.		123,692,500		123,692,500						
Out of the above :										
230,010 Shares are allotted as fully paid up, pursuant to a contract without payment being received in cash.										
210 Shares are allotted as fully paid-up on account of Merger of India Precision Bearing Mfrs.Ltd., with the Company.										
177,520 Shares are allotted as fully paid-up on account of Merger of Textool Company Ltd with the Company										
TOTAL		123,692,500		123,692,500						
Schedule 2 : RESERVES & SURPLUS										
Capital Reserve :										
As per last Balance Sheet		70,139,900		70,139,900						
General Reserve :										
As per last Balance Sheet	2,262,601,518		2,142,601,518							
Add : Transfer from Profit & Loss Account	110,000,000		120,000,000							
		2,372,601,518		2,262,601,518						
Investment Fluctuation Reserve										
As per last Balance Sheet	726,863,707		363,672,517							
Add / (Less) : Transfer from / (to) Profit & Loss Account	607,808,969		363,191,190							
		119,054,738		726,863,707						
Foreign Currency Translation Reserve		(5,041,229)		5,794,728						
Surplus in Profit and Loss Account		6,524,239,626		5,243,968,357						
TOTAL		9,080,994,553		8,309,368,210						
Schedule 3 : Fixed Assets										
	GROSS BLOCK				DEPRECIATION				NET BLOCK	
Particulars	Cost as at 31.03.2009 Rs.	Additions Rs.	Sales/Transfer Rs.	Cost as at 31.03.2010 Rs.	Upto 31.03.09 Rs.	Withdrawn Rs.	For the year Rs.	Upto 31.03.10 Rs.	As at 31.03.10 Rs.	As at 31.03.09 Rs.
A. Tangible Assets :										
Land	174,138,855	0	0	174,138,855	0	0	0	0	174,138,855	174,138,855
Buildings	1,196,504,157	1,634,076	0	1,198,138,233	614,999,806	0	51,469,773	666,469,579	531,668,654	581,504,351
Machinery	10,694,135,743	246,227,790	2,395,238	10,937,968,295	6,545,812,122	1,669,270	849,151,963	7,393,294,815	3,544,673,480	4,148,323,621
Furniture & Equipments	573,188,189	10,383,906	1,668,096	581,903,999	490,217,601	1,570,606	25,177,218	513,824,213	68,079,786	82,970,588
Vehicles	316,261,064	5,708,205	0	321,969,269	167,839,382	0	25,831,145	193,670,527	128,298,742	148,421,682
Goodwill	428,993,270	0	0	428,993,270	428,993,270	0	0	428,993,270	0	0
Total Tangible Assets	13,383,221,278	263,953,977	4,063,334	13,643,111,921	8,247,862,181	3,239,876	951,630,099	9,196,252,404	4,446,859,517	5,135,359,097
B. Intangible Assets										
Technical Knowhow	60,675,519	2,203,322	0	62,878,841	10,112,587	0	10,643,956	20,756,543	42,122,297	50,562,932
Total Intangible Assets	60,675,519	2,203,322	0	62,878,841	10,112,587	0	10,643,956	20,756,543	42,122,297	50,562,932
Capital Work in Progress									34,786,528	104,517,324
Total Assets	13,443,896,797	266,157,299	4,063,334	13,705,990,762	8,257,974,768	3,239,876	962,274,055	9,217,008,947	4,523,768,343	5,290,439,353
Previous Year	12,735,369,956	80,476,942	94,950,101	13,443,896,797	7,164,929,582	83,127,556	1,176,172,742	8,257,974,768	5,290,439,353	

CONSOLIDATED SCHEDULES ANNEXED TO BALANCE SHEET

	Face Value Rs.	31.03.2010		31.03.2009	
		Nos.	Rs.	Nos.	Rs.
Schedule 4 : INVESTMENTS					
Long Term Investments at cost					
A. Non-trade : Quoted Investments					
1. Equity Shares Fully paid-up					
Arun Processors Limited	10	200	7,400	200	7,400
Cholamandalam DBS Finance Limited	10	342,562	26,788,160	342,562	26,788,160
Lakshmi Automatic Looms Works Limited	10	441,110	8,888,850	441,110	8,888,850
Pricol Limited	1	24,975	252,363	24,975	252,363
Rajshree Sugars & Chemicals Limited	10	100,000	1,000,000	100,000	1,000,000
South Asian Financial Exchange Limited	10	51,500	515,000	51,500	515,000
The Lakshmi Mills Company Limited	100	39,297	20,134,378	39,297	20,134,378
JSW Steel Limited	10	586,895	800,525,958	586,895	800,525,958
Indian Bank	10	69,562	6,330,142	69,562	6,330,142
B. Non-trade : Unquoted Investments					
1. Equity Shares Fully paid-up					
Pugoda Textiles Lanka Ltd., Sri Lanka	10	6,750,000	48,382,668	6,750,000	48,382,668
(Shares vested with Govt. of Sri Lanka for compensation)					
Rieter-LMW Machinery Ltd	10	12,500,000	125,000,000	12,500,000	125,000,000
2. Co-operative Concerns/Others					
Sharada Chambers Premises Co-op Society Ltd	50		250		250
Lakshmi Machine Works Employees Co-op Stores Ltd	10		5,000		5,000
Investment in Co-operative concerns	10		7,500		7,500
TOTAL			1,037,837,669		1,037,837,669
Aggregate value of Quoted Investments					
Cost	Rs.		864,442,251		864,442,251
Market Value	Rs.		866,531,317		182,262,688
Aggregate value of Unquoted Investments	Rs.		173,395,418		173,395,418

CONSOLIDATED SCHEDULES ANNEXED TO BALANCE SHEET

		31.03.2010 Rs.	31.03.2009 Rs.
Schedule 5 : Current Assets, Loans & Advances			
A) INVENTORIES			
Raw Materials		377,692,897	203,156,286
Components		441,840,666	332,716,910
Work-in-process		117,854,090	103,504,110
Finished Goods		156,049,187	103,121,206
Consumables		92,953,627	82,101,434
TOTAL		1,186,390,467	824,599,946
B) SUNDRY DEBTORS			
Unsecured :			
Outstanding for a period exceeding six months :			
-- Considered Good		56,654,337	45,265,768
--Considered Doubtful	2,101,937		2,101,937
Less : Provision for doubtful debts	2,101,937		2,101,937
Other debts - Considered Good		524,864,088	472,255,825
TOTAL		581,518,425	517,521,593
C) CASH & BANK BALANCES			
Cash on hand		2,249,224	1,839,977
With Scheduled Banks :			
- in Current Account		64,322,801	10,130,143
- in Deposit Account		7,190,738,004	6,170,461,392
- in Unpaid Dividend Account		9,759,670	9,188,021
- in Unpaid Debenture & Interest Account		4,798,898	5,123,475
With Non Scheduled Banks :			
Bank of India, Nairobi		154,885	0
Vietnam Bank for Foreign Trade of Vietnam		23,653	52,721
Bangkok Bank Public Company Ltd, Thailand		522,884	306,535
Bank Central Asia, Indonesia		148,182	6,170
Citibank , Bangladesh		498,583	36
Bank of China		50,150,011	73,161,573
TOTAL		7,323,366,795	6,270,270,043
D) OTHER CURRENT ASSETS			
Interest accrued on Bank Deposits		157,044,630	191,716,653
Income Receivable		80,352,045	24,768,213
TOTAL		237,396,675	216,484,866
E) LOANS & ADVANCES			
Unsecured recoverable in cash or in kind, or for value to be received-Considered good	347,391,349		244,407,166
Considered Doubtful	0		36,783,954
	347,391,349		281,191,120
Less : Provision for doubtful advances	0		36,783,954
		347,391,349	244,407,166
Inter Corporate and Other Loans		166,701,992	36,319,346
Deposits		72,417,240	86,530,690
Balance with Central Excise, Sales Tax, Customs etc.,		325,291,545	353,055,132
Prepaid Expenses		7,274,613	5,855,417
Advance Taxes Including Fringe Benefit Tax (Net of provisions therefor)		121,354,531	51,947,680
TOTAL		1,040,431,270	778,115,431

CONSOLIDATED SCHEDULES ANNEXED TO BALANCE SHEET

	31.03.2010 Rs.	31.03.2009 Rs.
Schedule 6 : Current Liabilities & Provisions		
A) CURRENT LIABILITIES		
Liabilities for Supplies & Services :		
Due to Micro, Small and Medium Enterprises	3,808,102	206,942
Others	1,576,267,159	887,047,973
	1,580,075,261	887,254,915
Liabilities for Expenses	401,182,654	444,322,755
Liabilities for Other Finance		
i) Advance received against supply of machinery	3,097,369,402	3,546,431,826
ii) Others	1,062,841,474	890,303,408
	4,160,210,876	4,436,735,234
Unpaid Dividends*	9,759,670	9,188,021
Unclaimed Debenture *	4,798,898	5,123,475
* No amount is due and outstanding to be credited to the Investor Education and Protection Fund		
TOTAL	6,156,027,359	5,782,624,400
B) PROVISIONS		
Provision for Proposed Dividend	185,538,750	185,538,750
Tax on Proposed Dividend	30,817,986	31,532,311
Provision for Warranty	22,700,000	26,000,000
Provision for Leave Encashment	0	6,826,159
TOTAL	239,056,736	249,897,220

CONSOLIDATED SCHEDULES TO PROFIT AND LOSS ACCOUNT

	2009-10 Rs.	2008-09 Rs.
Schedule 7 - Other Income		
Sale of Scrap	41,223,259	48,911,247
Rent Receipts (TDS - Rs.1,890,919/-)(Previous year TDS - Rs.1,394,350)	8,190,109	8,867,384
Interest Receipts (TDS - Rs.111,790,703/-) (Previous year TDS Rs.74,527,358)	486,766,181	509,876,972
Dividend from Long term Investments	1,266,589	26,171,996
Export Incentives	91,727,001	147,757,664
Repairs & Service Charges and Misc.Income	84,823,694	67,781,307
Foreign Exchange Gain (Net)	14,591,502	91,326,318
Profit on Sale of Assets	229,860	2,832,402
Sale of Wind energy	91,609,558	2,695,478
TOTAL	820,427,753	906,220,768

CONSOLIDATED SCHEDULES TO PROFIT AND LOSS ACCOUNT

	2009-10 Rs.	2008-09 Rs.
Schedule 8 - Operating Expenses		
A) Material Consumption		
Opening Stock	535,873,196	806,020,298
Add : Purchases	7,415,519,038	7,813,750,664
Less : Sales	515,860,554	459,717,988
Closing Stock	801,279,978	535,873,197
Total (A)	6,634,251,702	7,624,179,777
B) Stock Increase / Decrease		
Opening Stock of Finished Goods	103,121,206	144,103,435
Work in Process	103,504,110	253,895,519
	206,625,316	397,998,954
Less : Closing Stock of Finished Goods	156,049,187	103,121,206
Work in process	117,854,090	103,504,110
	273,903,277	206,625,316
Total(B)	-67,277,961	191,373,638
C) OTHER EXPENSES		
Stores Consumed	561,948,772	684,144,626
Power & Power Generation Charges (net of Wind energy Rs.173,648,501/-)	211,725,014	211,660,713
Repairs & Maintenance - Buildings	48,147,016	57,453,610
- Machinery	150,656,199	287,015,630
- Others	145,056,509	224,466,480
Total (C)	1,117,533,510	1,464,741,059
Grand Total (A + B + C)	7,684,507,251	9,280,294,474
Schedule 9 - Employee Cost		
Salaries, Wages, Incentives, etc.	872,117,816	919,116,227
Contribution to Provident Fund and Other Funds	83,469,836	91,217,633
Workmen & Staff Welfare Expenses	83,464,207	96,527,411
Managerial Remuneration	94,800,073	91,057,379
Voluntary Retirement Scheme Compensation	46,291,763	0
Total	1,180,143,695	1,197,918,650

CONSOLIDATED SCHEDULES TO PROFIT AND LOSS ACCOUNT

	2009-10 Rs.	2008-09 Rs.
Schedule 10 - Administrative and Selling expenses		
Printing & Stationery	8,646,346	14,678,642
Postage, Telegrams & Telephones	9,015,279	9,974,089
Travelling Exps & Maint. of Vehicles	83,950,150	104,451,885
Insurance	7,150,069	8,076,462
Rent	6,738,332	4,643,052
Licence & Taxes	22,540,678	12,297,156
Directors' Sitting Fees	400,000	350,000
Auditors Remuneration	1,539,781	1,351,100
Bank Charges, LC Commission etc.,	9,189,448	40,184,187
Legal & Professional Charges	30,984,380	52,452,818
Subscription to Associations & Periodicals	1,845,767	1,765,712
Research & Development	124,903,253	94,692,345
Loss on Sale of Assets	77,588	1,311,780
Miscellaneous Expenses	29,007,925	48,727,027
Donations	19,200,000	1,325,000
Sales Commission to Agents	322,582,559	431,392,061
Sales Expenses	42,067,852	60,410,232
Security and Other Service expenses	57,177,922	88,552,302
Advertisement & Publicity	29,995,836	46,142,760
Export Expenses	33,856,728	64,702,873
Royalty	395,610	2,781,892
TOTAL	841,265,503	1,090,263,375
Schedule 11 - Earnings per Share		
Net Profit after Tax	998,819,035	1,069,348,670
Weighted Average Number of Equity shares	12,369,250	12,369,250
Nominal value per Equity Share (Rs.)	10	10
Basic & Diluted EPS	80.75	86.45

Schedules Annexed to Consolidated Balance Sheet & Profit and Loss Account

Schedule: 12A : SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation

The consolidated financial statements relate to Lakshmi Machine Works Limited and its wholly owned subsidiary. The financial statements are prepared under historical cost convention using uniform accounting policies and in accordance with the generally accepted accounting principles and Accounting Standard 21 on "Consolidated Financial Statements" and are presented to the extent possible in the same manner as the company's separate financial statements except as otherwise disclosed in the notes to accounts.

2. Principles of consolidation

- The financial statements of the company and its subsidiary company have been combined on a line by line basis by adding together the book value of like items of assets, liabilities, income and expenses after eliminating intra-group balances and intra-group transactions.
- The translation of foreign currencies into Indian Rupees [Reporting currency] is performed for assets and liabilities at the closing exchange rate at the Balance Sheet

date and for revenues, cost and expenses using the average rate prevailing during the reporting period. Exchange differences arising from such translation of non-integral foreign operations are accumulated in Foreign Currency Translation Reserve until disposal of net investment.

3. Method of Accounting

The financial statements are prepared under historical cost convention and on accrual basis and in accordance with the provisions of the Companies Act, 1956 and accounting principles generally accepted in India and comply with the Accounting Standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government to the extent applicable. The accounting is on the basis of a going concern concept.

4. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognized in the period in which the results are known/ materialized.

5. Fixed Assets:

Fixed assets are stated at historical cost net of Cenvat credit /Value added Tax, including appropriate direct and allocated expenses less accumulated depreciation and impairment losses, if any. Increase / Decrease in rupee liability in respect of foreign currency liability related to acquisition of fixed assets is recognized as expense or income in the Profit and loss account. Self constructed assets are capitalized at factory cost.

6. Investments:

Long Term Investments are carried at cost inclusive of all expenses incidental to acquisition. Provision for diminution in value of long term investments is made only if such a decline is other than temporary in nature in the opinion of the management. Adjustment for diminution in value of long term investments, considered temporary in

the opinion of the management, are determined for each investment individually and credited to Investment Fluctuation Reserve by transfer from Profit & Loss Account.

7. Valuation of Inventories:

Inventories are valued at lower of the cost or net realizable value after providing for obsolescence where necessary. Cost is determined on weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

8. Translation of Foreign Currency Transactions:

Foreign currency transactions are recorded at the prevailing exchange rates at the time of initial recognition. Exchange differences arising on final settlement are adjusted and recognized as income or expense in the profit and loss account. Outstanding balances of monetary items denominated in foreign currency are restated at closing exchange rates and the difference is adjusted as income or expense in the profit and loss account.

The premium or discount arising at the inception of forward exchange contracts is accounted as income or expense over the life of the contract. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense in the period in which they arise.

9. Depreciation

Depreciation on all fixed assets is provided on the written down value method except in the case of Wind Mills for which Straight Line Method is adopted at the rates specified in Schedule XIV of the Companies Act, 1956. Fixed assets of the wholly owned subsidiary are depreciated by using the straight line method over estimated useful lives. For additions and deletions depreciation is provided on pro-rata basis.

10. Recognition of Revenue

Income and Expenditure are recognized and accounted on accrual basis as and when they are earned or incurred. Revenue from sale transaction is recognized as and when significant risks and rewards attached to ownership in the goods is transferred to the buyer. Revenue from

service transactions is recognized on the completion of the contract. Dividend from Investments, Export incentives under Duty Entitlement Pass Book [DEPB] Scheme and Duty drawback scheme are recognized when the right to receive payment / credit is established and no significant uncertainty as to measurability or collectibility exists.

11. Borrowing costs

Interest on borrowings, if any, attributable to acquisition of qualifying Assets are capitalized and included in the cost of the asset, as appropriate.

12. Earnings per Share:

Basic Earning per share is calculated by dividing the Net Profit after tax attributable to the equity shareholders by the weighted average number of Equity Shares outstanding during the year.

13. Employee Benefits:

Short term employee benefits (other than termination benefits) which are payable within 12 months after the end of the period in which the employees render service are accounted on accrual basis.

Defined Contribution Plans

Company's contributions paid / payable during the year to Provident Fund, Superannuation Fund and ESIC are recognized in the profit and loss account.

Defined Benefit Plans

Company's liabilities towards gratuity and leave encashment are determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past services are recognized on a straight line basis over the average period until the amended benefits becomes vested. Actuarial gains or losses are recognized immediately in the statement of profit and loss account as income or expense. Obligation is measured at the year end as present value of estimated future cash flows using a discounting rate that is determined by

reference to market yields at the balance sheet date on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligations.

14. Research and Development

Revenue expenditure incurred on Research and Development are expensed in the period in which they are incurred. Fixed assets relating to Research and Development are capitalized and depreciation provided thereon.

15. Taxes on Income

Current Tax is determined as per the provisions of the Income-tax Act, 1961 in respect of taxable income for the year and based on the expected outcome of assessment/appeals.

Deferred Tax assets and liabilities are recognized on timing differences between accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred Tax assets, other than those arising on account of unabsorbed depreciation or carry forward of losses under tax laws, are recognized and carried forward subject to consideration of prudence only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

16. Provisions, contingent liabilities and contingent assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes to financial statements. Contingent assets are neither recognized nor disclosed in the financial statements. Provisions, contingent liabilities and contingent assets are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

17. Cash Flow Statements

Cash Flows are reported using the Indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expense associated with investing or financing cash flows. Cash and cash equivalents include cash on hand and balances with banks in current and deposit accounts with necessary disclosure of cash and cash equivalent balances that are not available for use by the Company.

18. Segment Reporting

Segment accounting policies are in line with the accounting policies of the Company, except that segment revenue includes sales and other income directly identifiable or allocable to the segment including inter-segment revenue.

Business segments are identified on the basis of the nature of products / services, the risk-return profile of individual businesses, the organizational structure and the internal reporting system of the Company.

Segment revenue, segment expenses, segment assets and liabilities include those directly identifiable with the respective segments. Income, expenses, assets and liabilities which are not identifiable with or allocable to a separate segment on a reasonable basis but are related to the Company as a whole are shown as unallocated items.

Inter-segment transfers are accounted for on weighted average cost basis.

19. Impairment of assets

An asset is treated as impaired when the carrying amount of the asset exceeds its estimated recoverable value. Carrying amounts of fixed assets are reviewed at each balance sheet date to determine indications of impairment, if any, of those assets. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss equal to the excess of the carrying amount over its recoverable value is recognized as an impairment loss. The impairment loss, if any, recognized in prior accounting period is reversed if there is a change in estimate of recoverable amount.

20. Leases

Assets given on leases where substantial risks and rewards incident to ownership of the asset are not transferred to the lessee are classified as operating leases. Lease income from such operating leases is recognized on straight line basis over the lease term. Depreciation on such leased assets is charged as per the normal depreciation policy of the Company for similar assets. Initial direct costs incurred specifically in relation to such operating leases is recognized as expense in the period in which they are incurred.

21. Long Term Deferred expenses:

Long Term deferred expenses record start up expenses. Start up expenses are necessary for rendering the Company appropriate and proper to operate on a manufacturing basis. These expenses are expensed in the month when the Company begins operation.

SCHEDULE 12B NOTES FORMING PART OF CONSOLIDATED ACCOUNTS

1. The Subsidiary Company considered in the consolidated Financial Statements and its reporting date is as under :

Name of the Company	Country of Incorporation	% of Voting power	Reporting Date
LMW Textile Machinery (Suzhou) Co. Ltd	China	100	31.03.2010
2. Contingent Liabilities:		2009-10	2008-09
		Rs.	Rs.
Letters of Credit		171,823,467	143,138,564
Bank Guarantee		95,746,731	125,328,696
Central Excise Demand		58,496,042	25,053,701

Disputed tax dues are appealed before concerned appellate authorities. The Company is advised that the cases are likely to be disposed off in favour of the Company and hence no provision is considered necessary therefor.

3. Estimated amount of Contracts remaining to be executed on Capital account and not provided for net of advances is Rs. 487,330,735/- (Previous Year Rs.34,171,753/-).

4. Deferred Taxes:	2009-10	2008-09
	Rs.	Rs.
Deferred Tax Asset:		
On account of VRS	12,302,499	0
On account of Provision for doubtful debts	0	13,217,314
Others	5,671,251	60,228
	17,973,750	13,277,542
Deferred Tax Liability:		
On account of Depreciation	348,912,247	484,461,770
Net deferred tax Asset / (Liability)	(330,938,497)	(471,184,228)

5. In the opinion of the Board of Directors, the Current Assets, Loans and Advances have atleast the value as stated in the Balance Sheet and will be realised in the ordinary course of business.

6. The Fixed Assets include:

Assets leased out as on 31.03.2010	Gross Block	Depreciation for the year	Accumulated Depreciation	Net Block
Buildings	37,346,093	1,085,136	16,728,492	20,617,601
Total	37,346,093	1,085,136	16,728,492	20,617,601
Assets leased out as on 31.03.2009				
Buildings	37,346,093	1,145,340	15,643,356	21,702,737
Total	37,346,093	1,145,340	15,643,356	21,702,737

Income from leased Buildings of Rs.8,190,109/- is grouped in Rent receipts (Previous Year Rs.8,867,384/-)

7. EMPLOYEE BENEFITS	Gratuity			Leave Encashment		
Defined Benefit Plans	(Funded)			(Funded)		
	31.03.2010	31.03.2009	31.03.2008	31.03.2010	31.03.2009	31.03.2008
A. Expense recognised during the year						
1. Current Service cost	18,675,767	16,451,097	15,543,000	2,242,857	3,946,000	2,471,773
2. Interest cost	23,630,820	20,596,834	20,475,000	1,738,945	1,698,266	1,493,583
3. Expected return on plan assets	(27,656,824)	(22,621,097)	(19,385,170)	(1,966,771)	(1,746,646)	1,166,862
4. Actuarial Losses / (Gains) during the year	9,622,798	14,459,460	10,838,794	(20,018,588)	4,684,064	(2,241,186)
5. Total Expense	24,272,561	28,886,294	27,471,624	2,664,073	8,581,684	1,724,170
B. Actual return on Plan assets						
1. Expected return on plan assets	27,656,824	22,621,097	19,385,170	1,966,771	1,746,646	1,166,862
2. Actuarial (Loss) / Gain on Plan assets	15,703,215	(9,804,627)	(7,737,002)	16,762,677	(8,408,887)	3,352,527
3. Actual return on plan assets	43,360,039	12,816,470	11,648,168	18,729,448	(6,662,241)	4,519,389

7. EMPLOYEE BENEFITS	Gratuity			Leave Encashment		
Defined Benefit Plans	(Funded)			(Funded)		
	31.03.2010	31.03.2009	31.03.2008	31.03.2010	31.03.2009	31.03.2008
C. Net Asset/(Liability) recognised in the Balance Sheet						
1. Present value of the obligation at the end of the year	319,857,291	290,410,401	266,213,206	19,139,938	21,078,120	17,282,328
2. Fair value of plan assets as on 31.3.2010	349,568,348	320,121,458	295,924,263	32,981,409	14,251,961	20,077,547
3. Funded status surplus/(deficit)	29,711,057	29,711,057	29,711,057	13,841,471	(6,826,159)	2,795,219
4. Unrecognised past service cost	-	-	-	-	-	-
5. Net Asset/(Liability) recognised in the Balance Sheet	-	-	-	-	(6,826,159)	(1,724,170)
D. Change in Present value of the Obligation during the year						
1. Present value of the obligation at the beginning of the year	290,410,401	266,213,206	273,000,000	21,078,120	17,282,328	15,558,158
2. Current service cost	18,675,767	16,451,097	15,543,000	2,242,857	3,946,000	2,471,773
3. Interest cost	23,630,820	20,596,834	20,475,000	1,738,945	1,698,266	1,493,583
4. Benefits paid	(38,185,710)	(17,505,569)	(16,195,529)	(2,664,073)	(918,870)	-
5. Actuarial (gain) loss on obligation	25,326,013	4,654,833	(26,609,265)	(3,255,911)	(929,604)	(2,241,186)
6. Present value of obligation at the end of the year	319,857,291	290,410,401	266,213,206	19,139,938	21,078,120	17,282,328
E. Change in Assets during the year						
1. Fair value of plan assets at the beginning of the year	320,121,458	295,924,263	258,468,932	14,251,961	20,077,547	15,558,158
2. Expected return on plan assets	27,656,824	22,621,097	19,385,170	1,966,771	1,746,646	1,166,862
3. Contributions made	24,272,561	28,886,294	42,002,692	2,664,073	1,755,525	-
4. Benefits paid	(38,185,710)	(17,505,569)	(16,195,529)	(2,664,073)	(918,870)	-
5. Actuarial gain / (loss) on plan assets	15,703,215	(9,804,627)	(7,737,002)	16,762,677	(8,408,887)	3,352,527
6. Fair value of plan assets at the end of the year	349,568,348	320,121,458	295,924,263	32,981,409	14,251,961	20,077,547
F Net actuarial Gain / Loss recognised						
1. Actuarial (Gain) / Loss on Benefit Obligation	25,326,013	4,654,833	(26,609,265)	(3,255,911)	(929,604)	(2,241,186)
2. Actuarial (Gain) / Loss on Plan assets	15,703,215	(9,804,627)	(7,737,002)	16,762,677	(8,408,887)	3,352,527
3. Net Actuarial (Gain) / Loss recognised	9,622,798	14,459,460	(18,872,263)	(20,018,588)	7,479,283	(5,593,713)
G Major categories of plan assets as a percentage of total plan						
Qualifying insurance policies	347,231,835	318,291,191	292,798,870	32,981,409	14,251,961	20,077,547
Own plan assets	2,336,513	1,830,267	3,125,393	-	-	-
Total	349,568,348	320,121,458	295,924,263	32,981,409	14,251,961	20,077,547
H. Actuarial Assumptions						
1. Discount rate	8.00%	8.00%	8.00%	8.25%	8.00%	8.00%
2. Salary escalation	7.00%	6.00%	6.00%	7.00%	6.00%	6.00%
3. Expected rate of return on plan assets	9.00%	7.50%	7.50%	13.80%	8.00%	7.50%
4. Attrition rate	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
5. Mortality rate	LIC (1994-96)	LIC (1994-96)	LIC (1994-96)	LIC (1994-96)	LIC (1994-96)	LIC (1994-96)
	Ultimate	Ultimate	Ultimate	Ultimate	Ultimate	Ultimate
II. DEFINED CONTRIBUTION SCHEMES	31.03.2010	31.03.2009	31.03.2008			
Provident Fund Contribution	51,298,080	56,713,427	51,332,587			
Superannuation Fund Contribution	8,174,968	9,157,978	7,872,137			

Note: The salary escalation considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. Gratuity is applicable to all permanent and full time employees of the Company. Gratuity payment is based on last basic salary and dearness allowance at the time of termination or retirement. The Scheme takes into account each completed year of service or part thereof in excess of six months. The entire contribution is borne by the Company. Leave encashment benefits are provided as per the Rules of the Company. The liabilities on account of defined benefit obligations are expected to be contributed within the next financial year.

8. (a) There are no derivative financial instruments either for hedging or for speculation outstanding as at the Balance Sheet date.
- (b) Foreign currency exposures that are not hedged by a derivative instrument or otherwise are as under:

Particulars		Amount in foreign currency		Equivalent amount	
				Rs.	
		2009-10	2008-09	2009-10	2008-09
Sundry creditors	CHF	16,458	26,300	696,481	1,170,355
	EUR	196,564	1,300,610	11,909,803	87,400,985
	GBP	14,493	331	983,640	24,050
	JPY	40,736,588	11,352,581	19,960,928	5,789,816
	SEK	585,950	290,000	3,685,626	1,783,500
	SGD	9,480	0	305,256	0
	USD	18,395	20,913	828,316	696,388
	CNY	1,047,307	0	6,900,707	0
	USD	1,157,740	1,879,613	52,133,049	95,333,950
	EUR	431,114	708,458	26,121,177	47,608,403
Sundry Debtors	CNY	3,406,000	0	22,442,134	0
	THB	188,178	214,987	263,035	306,535
	KES	32,942	100,618	19,930	63,472
Bank Balances	BDT	378,015	50	250,737	36
	IDR	0	1,407,664	0	6,170
	USD	18,088	4,030	814,484	203,744
	CNY	7,611,172	9,865,273	50,150,011	73,161,573

9. (a) The Company gives warranties for its products undertaking to repair or replace the items that fail to perform satisfactorily during the warranty period. Provisions made at the end represents the amount of expected cost of meeting such obligations of rectification/replacements. The timing of the outflows is expected to be within a period of one year.

(b) Disclosures in terms of Accounting Standard 29 "Provisions, Contingent Liabilities and Contingent Assets"

(Amount in Rs.)

Particulars	Provision for Warranty	
	2009-10	2008-09
Carrying amount at the beginning of the year	26,000,000	40,000,000
Additional provision made during the year	22,700,000	26,000,000
Amount used during the year	22,567,150	37,819,880
Unused amount reversed during the year	3,432,850	2,180,120
Carrying amount at the end of the year	22,700,000	26,000,000

10. Revenue Expenditure on Research & Development amounting to Rs.12.49 crores (Previous Year Rs.9.47 Crores) has been charged to Profit and Loss Account and Capital expenditure relating to Research and Development amounting to Rs.2.52 Crores (Previous Year Rs.5.35 Crores) has been included in Fixed Assets.
11. The fixed assets of the Subsidiary Company are depreciated on SLM Basis over their useful lives as against WDV Basis adopted by the Parent Company. Had that depreciation been provided on WDV Basis, the depreciation would have been lower by Rs.1,104,008/- and the consolidated profit before tax would have been higher to that extent.
12. The previous year's figures have been regrouped, rearranged and reclassified wherever necessary.

Schedule : 13(A) Consolidated Segment Report for the year ended 31st March 2010

PRIMARY - BUSINESS SEGMENT	Textile Machinery Division		Other Divisions		Total	
Revenue	31.03.2010	31.03.2009	31.03.2010	31.03.2009	31.03.2010	31.03.2009
External Sales	9,582,668,333	11,799,753,877	1,721,701,635	1,580,385,534	11,304,369,968	13,380,139,412
Inter Segment Transfers	144,558,727	55,725,963	8,269,898	19,109,942	152,828,625	74,835,905
Allocable other income	311,983,154	311,966,002	13,214,383	49,338,414	325,197,536	361,304,416
Total Revenue	10,039,210,214	12,167,445,842	1,743,185,916	1,648,833,890	11,782,396,129	13,816,279,732
Less : Inter Segment Transfers					152,828,625	74,835,905
Add : Unallocable other Income					496,222,880	544,916,352
Enterprise revenue					12,125,790,384	14,286,360,180
Result						
Segment Result	919,533,572	1,055,431,205	157,651,918	35,446,862	1,077,185,490	1,090,878,067
Less :Unallocated Expenses					115,808,492	94,083,479
Operating Profit					961,376,998	996,794,588
Less : Interest Expenses					0	0
Incometax expenses (Current)					599,026,577	475,961,407
Incometax expenses (Deferred)					(140,245,732)	(3,599,138)
Add : Unallocable Other Income					496,222,883	544,916,352
Net Profit after Tax					998,819,035	1,069,348,671
Other Information						
Segment assets	13,525,255,222	13,070,819,037	1,061,892,250	776,161,579	14,587,147,472	13,846,980,616
Add : Unallocated corporate assets					2,468,534,558	2,738,699,279
Enterprise Assets					17,055,682,030	16,585,679,895
Segment Liabilities	5,709,317,677	5,637,007,104	294,842,580	178,442,871	6,004,160,257	5,815,449,975
Add : Unallocated corporate liabilities					11,051,521,773	10,770,229,920
Enterprise Liabilities					17,055,682,030	16,585,679,895
Capital Expenditure	280,901,717	751,256,087	20,042,111	52,220,856	300,943,828	803,476,943
Depreciation	917,708,785	1,129,685,250	44,565,271	46,487,492	962,274,056	1,176,172,742
Non-Cash Expenditure	0	0	0	0	0	0
SECONDARY - GEOGRAPHICAL SEGMENT						
(a) Revenue from external customers by location of customers						
Domestic Segment					10,520,717,306	12,408,539,891
Export Segment					742,664,933	971,599,521
Total Revenue					11,263,382,239	13,380,139,412
(b) Carrying amount of Segment Assets						
Within India	13,351,299,800	12,975,583,141	1,061,892,250	776,161,579	14,413,192,050	13,751,744,720
Outside India	173,955,422	95,235,896	0	0	173,955,422	95,235,896
(c) Capital Expenditure						
Within India	218,840,133	751,216,152	20,042,111	52,220,857	238,882,244	803,437,009
Outside India	62,061,584	39,933	0	0	62,061,584	39,933

Notes :

- The Company is organised into two main Business Segments viz., Textile Machinery Segment comprising of Spinning Preparatory Machinery; Yarn Making machinery; Accessories & Parts and Other Segment comprising of Machine Tools and Foundry Division and Advanced Technology Centre.
- The Secondary Geographical Segments considered for disclosure are Revenue from Customers located within India (Domestic Segment) and Revenue from customers located outside India (Export Segment).
- Inter Segment transfers are accounted at weighted average cost, vis-a-vis at competitive market price charged to Unaffiliated customers for similar goods.
- Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis.

Schedule 13 (B)**Related Party Disclosures****1) Related Party Relationships**

Key Management Personnel	Dr. D. Jayavarthanavelu, Chairman and Managing Director Sri. R. Venkatrangappan, Wholetime Director Sri. Sanjay Jayavarthanavelu, Wholetime Director
Joint Ventures	Rieter LMW Machinery Limited
Other related parties-Associates	Annur Satya Textile Limited Eshaan Enterprises Limited Harshini Textiles Limited Hermes Academy of Training Limited Integrated Electrical Controls Limited Lakshmi Cargo Company Limited LCC Cargo Holdings Limited Lakshmi Electrical Drives Limited Lakshmi Technology & Engg. Industries Ltd Lakshmi Ring Travellers (Cbe) Limited Lakshmi Electrical Control Systems Limited Lakshmi Precision Tools Limited Lakshmi Life Sciences Limited Mahalakshmi Engineering Holdings Limited Quattro Engineering India Limited Sri Kamakoti Kamakshi Textiles P Ltd Super Sales India Limited Starline Travels Limited The Kuppuswamy Naidu Charity Trust for Education and Medical Relief Titan Paints & Chemicals Limited Venkatavaradha Agencies Limited Walzer Hotels Limited

2) Related Party Transactions

Rs.

	Joint Venture		Other Related Parties - Associates		Key Management Personnel		Relatives of Key Mgt Personnel	
	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09
Purchase of goods	-	264,240	1,363,593,950	1,607,275,988	-	-	-	-
Sale of goods	30,419,354	28,398,167	466,780,358	512,736,064	-	-	-	-
Sale of Fixed Assets	-	-	687,981	-	-	-	-	-
Rendering of Services	21,793	-	6,672,410	9,358,162	-	-	-	-
Receiving of Services	-	-	284,990,318	301,788,742	-	-	-	2,822,820
Agency arrangements	-	-	86,901,105	116,045,284	-	-	-	-
Managerial Remuneration	-	-	-	-	93,000,073	89,257,379	-	-
Dividends Paid	-	-	45,763,770	74,880,500	2,150,850	3,334,750	-	-
Dividends Received	-	16,250,000	-	-	-	-	-	-
Investment in Shares	-	-	-	-	-	-	-	-
Loans given	125,000,000	-	9,000,000	36,000,000	-	-	-	-
Loans received back	-	-	3,600,000	-	-	-	-	-
Interest receipts	4,219,178	-	4,002,656	2,319,346	-	-	-	-
Outstanding Payables	-	-	214,316,918	106,983,047	-	-	-	-
Outstanding Receivables	15,218,167	6,204,978	236,149,753	183,162,850	-	-	-	-

Signatures to schedules 1 to 13(B)

In terms of our Report of even date
For M.S.Jagannathan & Visvanathan
Firm Registration No. : 001209S
Chartered Accountants

per M.J.Vijayaraaghavan
Partner
M.No.7534

Dr. D.Jayavarthanavelu
Chairman & Managing Director

R.Venkatrangappan
Wholetime Director

For Subbachar & Srinivasan
Firm Registration No. : 004083S
Chartered Accountants

R. Rajendran
Chief Financial Officer

Sanjay Jayavarthanavelu
Wholetime Director

per T.S.V. Rajagopal
Partner
M.No.200380

Chennai
24th May, 2010

K. Duraisami
Company Secretary

CAUTIONARY STATEMENT

In this annual report, we have disclosed forward-looking information to help investors to comprehend our prospects and take informed investment decisions. This report is based on certain forward-looking statements that we periodically make to anticipate results based on the management's plans and assumptions.

We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected.

We undertake no obligation to publicly update any forward - looking statements, whether as a result of new information, future events or otherwise.

LAKSHMI MACHINE WORKS LIMITED

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