



LAKSHMI MACHINE WORKS LIMITED

Our Ref: Sec/BSE-Vol 7/2022

Date: 29.07.2022

BSE Limited
Listing Department
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai - 400 001

National Stock Exchange of India Limited
Listing Department
Exchange Plaza, C-1, Block-G, Bandra Kurla Complex
Bandra(E), Mumbai - 400 051.

Dear Sirs,

Sub: Compliance under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

We would like to inform that Lakshmi Machine Works Limited ("Company") had filed an application with Securities and Exchange Board of India (SEBI) on 03rd June 2022 seeking exemption/relaxation of provisions of Regulation 24(ii) of the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018.

SEBI had passed an order in this regard dated 29th July 2022 and published the same on its website. The order is available on SEBI website at https://www.sebi.gov.in/enforcement/orders/jul-2022/order-under-regulation-28-of-sebi-buyback-regulations-2018-in-the-matter-of-lakshmi-machine-works-ltd-_61402.html and a copy of the same is enclosed.

Decision on the proposal for buyback of shares will be taken by the Board of Directors at the appropriate time and same will be intimated to the stock exchanges in accordance with the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Thanking you,

Yours faithfully,

For LAKSHMI MACHINE WORKS LIMITED

**C R SHIVKUMARAN
COMPANY SECRETARY**

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTION 11(1) OF THE SEBI ACT, 1992 READ WITH REGULATION 28 OF THE SEBI (BUY-BACK OF SECURITIES) REGULATIONS, 2018.

IN THE MATTER OF BUY-BACK OF SECURITIES IN -

COMPANY	LAKSHMI MACHINE WORK LIMITED
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Background -

1. Lakshmi Machine Works Limited (hereinafter referred to as "*LMW*" / "*Company*" / "*Transferor Company*") is a company incorporated under the provisions of the Companies Act, 1956. The registered office of LMW is located at SRK Vidyalaya Post, Perianaickenpalayam, Coimbatore, Tamilnadu- 641020. The equity shares of LMW are listed on the BSE Limited (hereinafter referred to as "**BSE**") and the National Stock Exchange of India Limited (hereinafter referred to as "**NSE**").
2. *LMW* has filed an Application dated June 03, 2022 (hereinafter referred to as the "**Application**") seeking exemption from the strict enforcement of the requirement contained under Regulation 24(ii) of the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018 (hereinafter referred to as the "**Buy-back Regulations 2018**").

3. The records indicate that the aforesaid Application has been filed on account of a Scheme of Arrangement between *LMW* & its wholly owned subsidiary, details of which are brought out in the subsequent paragraphs of this Order.
4. The following is noted from the Application submitted by *LMW*-
 - (a) In May 2021, the Board of Directors of the *Transferor Company* had approved a Scheme of Arrangement between *LMW* and *LMW Aerospace Industries Ltd.* ("**Transferee Company**" or "**LMWASIL**") and their respective shareholders under Section 230-232 of Companies Act, 2013.
 - (b) The salient features of the Scheme of Arrangement are as under -
 - i. The Scheme of Arrangement as approved by the Board of Directors of *LMW* and *LMWASIL* provides for transfer of ATC Business Undertaking of *LMW* on a going concern basis to *LMWASIL*.
 - ii. Upon the Scheme of Arrangement becoming effective, *LMWASIL* shall discharge the purchase consideration of INR 90.88 Crore by issue of compulsory convertible debentures to the Company.
 - iii. *LMWASIL* is wholly owned subsidiary of the *Company* and, post the Scheme of Arrangement becoming effective, the entire share capital of *LMWASIL* will be held by *LMW*, even on fully diluted basis.
 - iv. There will be no change in the share capital of both companies pursuant to the Scheme of Arrangement.
 - (c) *LMW* has submitted that -

- i. Post approval of Board of Directors of the *Company* and LMWASIL, the Scheme of Arrangement was filed with BSE & NSE to seek their observation letter. The *Company* has received the observation letters dated October 28, 2021 from both the stock exchanges.
- ii. The *Company* has thereafter filed an application with the National Company Law Tribunal (“NCLT”), Chennai seeking directions to convene meeting of its shareholders and creditors to seek their approval to the Scheme of Arrangement. The said application has been adjourned twice in three months and the directions from the NCLT are awaited.
- iii. The *Company* has in past completed buy-back programs in following years:

Sr. No.	Month, Year	Amount (INR)
1	February, 2011	225.51 Crore
2	November, 2016	138.40 Crore
3	November, 2018	159.48 Crore

Therefore, the shareholders could expect that the share buy-back program is an integral part of the *Company's* approach to returning the surplus cash to them and would have planned their investments accordingly. The *Company* also has sufficient internal accruals to undertake the buyback.

- iv. The Application is in the interest of investors as the shareholders of the *Company* (especially small shareholders) will benefit from return of surplus cash through the buy-back program.
- v. The Scheme of Arrangement is an internal re-organization of *Company's* operations. There is no change contemplated in the shareholding pattern

of *Company* pursuant to the approval and implementation of the Scheme of Arrangement as no fresh issue of shares is contemplated under the said scheme and shareholding pattern will remain unchanged. The pre and post Scheme of Arrangement, LMWASIL will remain as wholly owned subsidiary of the *Company* and hence there will be no change in control also.

- vi. Further, the Companies Act, 2013 does not restrict Companies from announcing a buy-back during the pendency of any scheme of merger or amalgamation or arrangement.
- vii. Thus, the requirement of Regulation 24(ii) of the Buy-back Regulations 2018 can be viewed as a procedural requirement in the present circumstances.

5. I have considered the Application made by *LMW* along with all the material available on record. For the purpose of considering the instant Application, Regulation 24(ii) of the Buy-back Regulations 2018 is reproduced as under –

“Obligations of the company for all buy-back procedure:

24 (ii) No public announcement of buy-back shall be made during the pendency of any scheme of amalgamation or compromise or arrangement pursuant to the provisions of the Companies Act.”

6. As per Regulation 28 of the Buy-back Regulations 2018, the Board may, in the interest of investors and the securities market, relax the strict enforcement of any requirement

of the aforesaid Regulations except the provisions incorporated from the Companies Act, if the Board is satisfied that the requirement is procedural in nature or the requirement may cause undue hardship to investors. I note that the requirement contained in Regulation 24(ii) of the Buy-back Regulations 2018 prohibits a company from making any public announcement of buy-back during the pendency of any Scheme of Arrangement pursuant to the provisions of the Companies Act, 2013.

7. In its Application, *LMW* has submitted that exemption from the requirement of Regulation 24(ii) of the Buy-back Regulations 2018, if approved, will enable the *Company* to place a proposal for buy-back of equity shares for the consideration of the Board of Directors of the *Company*. In addition, *LMW* has submitted that such proposed buy-back of equity shares *inter alia* will be in the interest of investors as the shareholders of the *Company* (especially small shareholders) will benefit from return of surplus cash through the buy-back program. Further, *LMW* have confirmed that there will be no fresh issue of equity shares and *LMWASIL* will remain as wholly owned subsidiary of the *Company* consequent to the Scheme of Arrangement. *LMW* has also submitted that the de-merger is merely an internal re-organization of *Company's* operations and there is no change in the capital of the *Company* even after the implementation of the Scheme of Arrangement as it is a mere transfer of a business or operation to its wholly owned subsidiary. Considering the aforementioned, I observe that the Application of the *Company* indicates that the enforcement of the said Regulation may cause undue hardship to the investors as its

strict implementation would not be beneficial to the shareholders when the *Company* is willing to go ahead with the buy-back.

8. Accordingly, I am of the considered view that in the facts of the matter, the present Application seeking exemption deserves to be considered. However, at the same time, I observe that such exemption cannot be absolute and shall be subject to certain conditions stated herein. I also observe that the exemption is being granted as per the facts contained in the Application and subsequent correspondences received by SEBI from *LMW*, and shall not operate as a precedent.

Order -

9. I, in exercise of the powers under Section 11(1) of the Securities and Exchange Board of India Act, 1992 ("**SEBI Act**") and Regulation 28 of the Buy-back Regulations 2018, hereby grant exemption to the *Company*, viz. *LMW*, from ensuring compliance with the requirement of Regulation 24(ii) of the Buy-back Regulations 2018 in relation to the proposal for buy-back of equity shares (to be placed for the consideration of the Board of Directors of the *Company*) as mentioned in the Application.
10. The exemption so granted is subject to the following conditions:
- i. The proposed buy-back, if approved by the Board of Directors of the *Company*, shall be in accordance with the relevant provisions of the Companies Act, 2013, the Buy-back Regulations 2018 and any other applicable law.
 - ii. The statements/ averments made or facts and figures mentioned in the Application and subsequent communication are true and correct.

- iii. The statements/averments made or facts mentioned in the Scheme of Arrangement intimated to BSE and NSE are true and correct.
 - iv. The *Company* complies with the comments provided, in the observation letters dated October 28, 2021, by BSE &NSE.
11. The exemption granted above is limited to a relaxation from the strict enforcement of Regulation 24(ii) of the Buy-back Regulations 2018 and shall not be construed as an exemption/relaxation from any other requirement under the Buy-back Regulations 2018 or the provisions incorporated therein from the Companies Act, 2013.
12. The Application dated June 03, 2022, filed by LMW is accordingly disposed of.

-Sd-

PLACE: MUMBAI

DATE: JULY 29, 2022

S. K. MOHANTY

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA