



47th

ANNUAL REPORT

2002-2003

L.G. BALAKRISHNAN & BROS LIMITED



FIVE YEARS PERFORMANCE AT A GLANCE

Rs. in Lakhs

Year	1999	2000	2001	2002	2003
Sales & Other Income	16841.86	17323.10	19663.21	20822.62	25425.76
Export Sales	2836.45	1956.12	2718.16	2288.94	3040.13
Operating Profit	2347.25	2193.59	2426.20	2498.47	3149.04
Depreciation	616.78	651.66	727.30	883.45	1059.22
Interest	1140.83	1051.29	918.53	808.64	713.81
Profit Before Tax	589.64	490.64	780.37	826.38	1376.01
Tax	115.00	125.00	130.00	172.62	421.50
Profit After Tax	474.64	365.64	650.37	653.76	954.51
Rate of Dividend (%)	22.50	20.00	35.00	40.00	55.00
Dividend Including Tax	98.16	87.25	151.59	157.21	243.87
Retained Profit	376.48	278.35	498.78	496.55	710.64
Net Fixed Assets	5873.50	5747.20	6250.62	6632.13	7185.83
Share Capital - Equity (Rs.10/-)	393.03	393.03	393.03	393.03	393.03
Reserves & Surplus Excluding Revaluation Reserve	5008.96	5226.25	5758.73	5183.29*	5907.63
Net Worth	5347.19	5639.28	6151.76	5576.32*	6300.66
Return on Net Worth (%)	9.00	6.00	11.00	11.72	15.15
Book Value per Share (Rs.)	136.06	143.48	156.52	141.89*	160.32
Earning per Share (Rs.)	12.08	9.30	16.55	16.64	24.29

* The figures for the year 2002 are after providing Deferred tax liability amounting to Rs. 1085.69 lakhs for earlier years as per AS 21.



L.G. BALAKRISHNAN & BROS LIMITED

DIRECTORS

Sri.L.G.Varadarajulu	
Sri.B.Vijayakumar	Managing Director
Sri.P.S.Balasubramanian	Deputy Managing Director
Sri.P.S.Srinivasan	
Sri.C.Nachiappan	
Sri.P.Balasubramanian	
Sri.S.Sivakumar	
Sri.V.Govindarajulu	
Sri.P.Shanmugasundaram	

COMPANY SECRETARY

Sri.A.James Chandra Mohan

AUDITORS

M/s. Fraser & Ross
Chartered Accountants

BANKERS

Corporation Bank
Andhra Bank
Union Bank of India
State Bank of India
IndusInd Bank Limited

REGISTRAR & SHARE TRANSFER AGENTS

Cameo Corporate Services Limited,
"Subramanian Building",
No.1, Club House Road,
Chennai – 600002.

REGISTERED OFFICE

6/16/13, Krishnarayapuram Road,
Ganapathy, Coimbatore – 641 006.

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47TH ANNUAL GENERAL MEETING

Date	:	4th September 2003
Day	:	Thursday
Time	:	4.00 PM
Venue	:	Ardra Convention Centre Kaanchan, 9, North Huzur Road, Coimbatore - 641 018.
Book Closure Dates	:	18.08.2003 - 04.09.2003 (Both days inclusive)



NOTICE

Notice is hereby given that the Forty Seventh Annual General Meeting of the members of the Company will be held on Thursday, the 4th day of September 2003 at 4.00 P.M at "Ardra" Convention Centre , Kaanchan, 9, North Huzur Road, Coimbatore -641018, to transact the following business :

AGENDA

ORDINARY BUSINESS

- 1) To receive, consider and adopt the Profit & Loss Account of the Company for the year ended 31st March 2003, the Balance Sheet as at that date and the Reports of the Directors and the Auditors thereon.
- 2) To declare dividend.
- 3) To appoint a Director in the place of Sri. C.Nachiappan, who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint a Director in the place of Sri. V.Govindarajulu, who retires by rotation and being eligible, offers himself for re-appointment.
- 5) To re-appoint Messrs. Fraser & Ross, Chartered Accountants as Auditors, to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting and to fix their remuneration.

NOTE

1. **Particulars about the Directors proposed for Reappointment/Appointment as per clause 49 (VI) (A) of the Listing agreement.**

No.	Name	Qualification	Experience	Other Directorships in Public Limited Companies and membership in Committees
1.	C. Nachiappan	M.S.	42 Years Medical Practice	Chairman - Remuneration Committee L.G.Balakrishnan & Bros Limited.
2.	V. Govindarajulu	B.E	21 Years Service	Member - Remuneration Committee L.G. Balakrishnan & Bros Limited

1. A member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. The Register of Members and the Share Transfer Register of our Company will remain closed from 18.08.2003 to 04.09.2003 (Both days inclusive).
3. Dividend amount remaining unclaimed for and upto the financial year ended 31.03.1994 has been transferred to the General Revenue Account of the Central Government as required under sub-section (5) of Section 205(A) of the Companies Act, 1956.



Financial year of the Company to which the Dividend relates	Date of Declaration of Dividend	Total amount transferred (Rs.)	Total No. of Equity Shareholders who have not claimed Dividend
1991-92	05.09.1992	14720	31
1992-93	25.09.1993	8601	28
1993-94	29.09.1994	8072	27

In accordance with amendment in Section 205(A) of the Companies Act, 1956 and the introduction of Section 205-C, by The Companies (Amendment) Act, 2000, now the amount of dividend remaining unclaimed for a period of seven years in respect of the financial year 31.03.1995 has been transferred to the Investor Education and Protection Fund.

4. Members who have not encashed the dividend warrant(s) so far for the financial year 31st March 1996, or any subsequent dividend payment (s) are requested to make their claims to the Company and if the dividend warrant is lost, they may apply for duplicate warrant.
5. Members desiring any information regarding the accounts at the forthcoming Annual General Meeting are requested to write to the Company at least 7 days before the date of Meeting so as to enable the Company to keep the information ready.
6. Members who are holding shares under more than one folio may approach the Company's Share Transfer Agent for consolidation.
7. For change of address, Members holding shares in physical form are requested to intimate the changes in their address to the Company's **Share Transfer Agent** (M/s Cameo Corporate Services Limited, "Subramanian Building", No.1, Club House Road, Chennai – 600002) and those who are holding shares in the Dematerialized form are requested to intimate, to their respective **Depository Participants** for better communication.
8. Members can avail the nomination facility, under Section 109A of the Companies Act, 1956, by filling up Form No.2B with the Share Transfer Agent and by execution of the relevant form with the Depository Participants concerned.
9. Trading of our shares is compulsorily in dematerialized form for all shareholders with effect from 26.06.2000 as per the SEBI Circular No.SMDRP/POLICY/CIR – 9/2000 dated 16.02.2000.
10. Those members who have not received their shares of **L.G.Balakrishnan & Bros Limited** so far, in exchange of the shares held in **L.G.B.Industries Limited** owing to **Amalgamation** are requested to claim the shares by surrendering the shares of **L.G.B. Industries Limited**.

By order of the Board

Coimbatore
22.05.2003

A. JAMES CHANDRA MOHAN
Corporate General Manager &
Company Secretary



DIRECTORS' REPORT

The Directors have great pleasure in presenting their Forty Seventh Annual Report together with Audited Accounts for the year ended 31st March 2003.

FINANCIAL RESULTS

Gross Income
Domestic
Export

Operating Profit
LESS: Interest & Bank charges

Gross Profit
LESS: Depreciation

Profit Before Tax
LESS: Provision for Taxation
Current Income Tax
Deferred Tax

Profit After Tax

ADD
Balance brought forward

Available for appropriation

APPROPRIATIONS

1. Proposed Dividend on Equity shares
2. Tax on Dividend
3. Transfer to General Reserve
4. Balance carried over to the Balance Sheet

(Rs.in Lakhs)	
31.03.2003	31.03.2002
22385.63	18533.68
3040.13	2288.94
25425.76	20822.62
3149.04	2498.47
713.81	808.64
2435.23	1689.83
1059.22	863.45
1376.01	826.38
430.00	240.00
(8.50)	(67.38)
954.51	653.76
289.97	479.11
1244.48	1132.87
216.17	157.21
27.70	-
400.00	685.69
600.61	289.97
1244.48	1132.87

DIVIDEND

Your Directors are pleased to recommend a Dividend of **55 % (i.e.) Rs 5.50/-** per share on the Paid up Capital which absorbs a sum of Rs. 216.17 Lakhs. The Dividend for 2002-2003 is free of tax in the hands of the members.

REVIEW OF OPERATIONS

During the year under review, your Company has posted an increase in Turnover from Rs.208.23 Crores to Rs.254.26 Crores registering a growth rate of **22%** inspite of severe competition. Out of this, the Export Turnover has shown an increase from Rs.22.89 Crores to Rs.30.40 Crores registering a growth rate of **33%**.

Your Company has recorded PBT of Rs. 13.76 Crores as against Rs. 8.26 Crores during the previous year and has generated a cash profit of Rs.23.94 Crores from regular business operations.



The aggregate cash inflows and outflows for the year are as follows :

Cash Inflow :	(Rs. in Lakhs)
Cash Profit from Business operations	2394.40
Funds from disposal of Fixed Assets	274.69
Term Loan availed during the year	300.00
Increase in Working capital Loan	242.53
Increase in Sales-tax Deferral Loan	55.83
Increase in Deposits	72.22
	3339.67
Cash Outflow :	
Investment in Fixed Assets	1833.08
Repayment of Term Loan	902.81
Increase in Net Current Assets	75.84
Investments made during the year	6.83
Income Tax Paid	363.62
Dividend	157.49
	3339.67

Major operational efficiency programmes have been undertaken in the Company through various measures in reducing the operational expenses, manpower cost, and by enhancing capacity utilisation. This has helped the Company to lower its cost of operations.

The auto component industry has done well in the year under review and as such, our Formed Metal and Assembled Products Segment has also given satisfactory results. Based on the projections of the industry, this trend will continue this year also.

The bulk of the investments made during the year in fixed assets has been in Formed Metal and Assembled Products Segment, which has enabled us to increase our turnover in the current year itself.

Exports scenario continues to be uncertain though the company has increased its turnover. The advent of Chinese products into our Export market overseas has placed immense pressure on our pricing policies.

The textile industry has fared well last year and we have made substantial progress in turnover and profitability. As seen in segment report, we have made a profit of Rs. 64.29 Lakhs before interest and taxes.

The service industry has had a mixed operating year, due to various constraints.

The viability of bus body unit has been in question for the last few years due to mushrooming growth of bus body manufacturers in the un-organised sector. Hence bus body operations have been franchised and all manufacturing activities in this division have ceased. We continue to carry out research and development and other technical developments.

SEGMENTWISE PERFORMANCE

The Segment wise performance is disclosed in Notes forming part of Accounts.

INTERNAL CONTROL SYSTEM

Your organization is committed to have an effective internal control environment and a system of accounting and control that provides such assurance on the efficiency of operations, existence of such effective internal controls which safeguards its assets, and management of risks. The systems of accounting and controls are modified and developed to match, with the changes in business conditions and recommendations of both internal and external



auditors. The efficiency and the effectiveness of internal control arrangements have been further improved with the support of substantial investment in Information Technology. Periodical reviews resulted in identifying the Internal control deficiencies and improving the efficiency of the System.

DIRECTORS

Sri. C.Nachiappan and Sri.V.Govindarajulu retire from the Board by rotation at the ensuing Annual General meeting and, being eligible, offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance with the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors wish to place the following on record:

- (i) In the preparation of the Annual Accounts, all the applicable accounting standards have been followed ;
- (ii) The accounting policies are consistently followed and the judgements 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, 2003 and of the profit of the company for the financial year;
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) These Annual Accounts have been prepared on a "going concern basis".

INDUSTRIAL RELATIONS

The industrial relation climate was conducive, peaceful and progressive. Settlements were entered into with the employees wherever required.

In the Training and Development area, various programmes including technical and behavioural skill- building were organised and conducted. Advanced Technical Training was imparted to all the apprentices of the units. Health management and Stress management programmes were conducted for employees through Yogic practices. Special programmes on Safety and First Aid were conducted for the employees. All employees were also trained on TPM/TQM activities.

CORPORATE GOVERNANCE

The Report on Corporate Governance in accordance with SEBI guidelines and Clause 49 of the Listing Agreement with Stock Exchanges together with Auditors' Certificate regarding the Compliance of conditions of Corporate Governance is attached and which forms part of the Annual Report.

STATUTORY INFORMATIONS

The Statement showing the particulars of Conservation of Energy, Technology Absorption, Adaptation and Innovation pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 is given in the annexure forming part of this report.

PARTICULARS OF EMPLOYEES

The Statement referred to in Section 217 (2-A) of the Companies Act, 1956 does not arise as no one is in receipt of a monthly salary of Rs.2,00,000/- or more per month when employed for part of the year or annual salary of Rs.24,00,000/- or more when employed throughout the year.

**AUDITORS**

The retiring Auditors M/s. Fraser & Ross, Chartered Accountants, being eligible, offer themselves for reappointment.

FIXED DEPOSITS

As on 31.03.2003 your Company had 2018 deposits amounting to Rs. 608.88 Lakhs. During the year the deposit holders whose deposits matured were paid the interest due to them and their principal amounts were refunded, except when they chose to renew the deposits.

As on 31.03.2003, 16 Deposits amounting to Rs 1.96 Lakhs had become due for payment, that has not been claimed or renewed. These depositors were approached for instructions regarding renewal/repayment.

Subsequently 8 deposits amounting to Rs.1.01 Lakhs have been renewed or repaid.

There was no failure to make repayment of Fixed Deposits on maturity, on the fulfillment of the terms and conditions of your company's schemes.

LISTING WITH STOCK EXCHANGES

Your Company's Shares are listed at Coimbatore, the Regional Stock Exchange and with the Madras, Mumbai and National Stock Exchanges. Necessary Listing fees has been paid to all these stock exchanges for the year 2002 – 2003.

DEMATERIALIZATION OF SHARES

Your Company's shares have been activated for Dematerializations with National Security Depository Limited (NSDL) with effect from 19.02.1999 and Central Depository Services Limited (CDSL) with effect from 29.02.2000. To date your Company has received requests for Dematerialization of 11,11,941 shares, representing 28.29 % of the total equity capital, and the same have been dematerialized.

Trading of our shares is compulsorily in dematerialized form for all shareholders with effect from 26.06.2000 as per SEBI's Circular No.SMDRP/POLICY/CIR – 9/2000 dated 16.02.2000.

COMMON AGENCY FOR SHARE REGISTRY WORK

In compliance with the **Circular No.D&CC/FITTC/CIR-15/2002 DT.27.12.2002** M/s. Cameo Corporate Services Limited, Chennai, a SEBI registered R & T Agent has been appointed as the Share Transfer Agent both for physical transfer as well as dematerialization/re-materialization of securities of the Company, from 1st February 2003 onwards.

ACKNOWLEDGEMENT

Your Directors place on record their gratitude to the Employees, for achieving these results and their appreciation for the cooperation and the instant support extended by the Customers, Suppliers, Bankers & Financial Institutions. They thank the valued Shareholders for their continuing encouragement and support.

By Order of the Board

Coimbatore
22.05.2003

B.VIJAYAKUMAR
Managing Director

L.G.VARADARAJULU
Director