



**48th**  
**ANNUAL REPORT**  
**2003 - 2004**

**L.G. BALAKRISHNAN & BROS LIMITED**



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## L.G.BALAKRISHNAN & BROS LIMITED

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### DIRECTORS

Sri.L.G.Varadarajulu  
Sri.B.Vijayakumar - Managing Director  
Sri.P.S.Balasubramanian - Joint 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  
IndusInd Bank Limited  
ICICI Bank Limited.  
IDBI Bank Limited  
EXIM Bank.

### 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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#### **48TH ANNUAL GENERAL MEETING**

Date	:	28th July 2004
Day	:	Wednesday
Time	:	4.30 p.m.
Venue	:	<b>Ardra Convention Centre</b> Kaanchan, 9, North Huzur Road, Coimbatore - 641 018.
Book Closure Dates	:	12.07.2004 - 28.07.2004 (Both Days Inclusive)



## NOTICE

Notice is hereby given that the Forty Eighth Annual General Meeting of the Members of the Company will be held on Wednesday, the 28<sup>th</sup> day of July 2004 at 4.30 P M at Ardra Convention Centre, Kaanchan, 9, North Huzur Road, Coimbatore -641 018, to transact the following businesses:

## AGENDA

### ORDINARY BUSINESS

- 1) To receive, consider and adopt the Profit & Loss Account of the Company for the year ended 31<sup>st</sup> March 2004, 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.P.S.Srinivasan, who retires by rotation.
- 4) To appoint a Director in the place of Sri.S.Sivakumar, who retires by rotation.
- 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.

### SPECIAL BUSINESS

- 6) **To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:**

Resolved that Sri. T. Muralidhar Bhagavat, who was appointed as an Additional Director of the Company with effect from 28.06.2004 by the Board of Directors at their meeting held on 26.05.2004 under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a shareholder proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company.

- 7) **To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution**

Resolved that pursuant to the provisions of Section 198, 269, 309, 310 and other applicable provisions if any read with Schedule XIII of the Companies Act, 1956 Sri B.Vijayakumar, Managing Director be and is hereby re-appointed for a period of 5 years from 01.01.2005 to 31.12.2009 on the following remuneration and perks.

#### **Salary**

Salary @ Rs. 1,50,000/- per month in the scale of Rs.1,50,000 – 15,000/-

#### **Commission**

1 % on Net Profit of the Company determined in accordance with relevant provisions of the Companies Act, 1956.

#### **Perquisites**

In addition to the remuneration Sri B.Vijayakumar, Managing Director, shall also be entitled to perquisites, the annual value of which shall not exceed the annual salary.



### Other Benefits

Benefits under Provident Fund as per the rules of the Company and this shall not be included in computing the value of perquisites.

Further resolved that the Board of Directors be and are hereby authorized to alter or vary the terms of remuneration set out herein above in such manner so as not to exceed the limits specified in Schedule XIII or any amendments thereto.

Further resolved that the minimum remuneration and perquisites to be paid in the event of loss or inadequacy of profits in any financial year shall be as per schedule XIII of the Companies Act, 1956.

Further resolved that the aforesaid remuneration payable to Sri.B.Vijayakumar, Managing Director shall be paid with effect from 01.06.2004. The annual increment will be falling due on 1<sup>st</sup> June of every year.

### 8) To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

Resolved that pursuant to the provisions of Section 198,269, 309,310 and other applicable provisions if any, read with Schedule XIII of the Companies Act, 1956 Sri. P.S.Balasubramanian, Deputy Managing Director, be re-designated as Joint Managing Director and re-appointed for a further period of 5 years from 01.04.2005 to 31.03.2010 on the following remuneration and perks:

#### Salary

Salary in the scale of Rs. 80,000 – 10,000/-	Rs. 1,20,000
Vehicle Purchase allowance	Rs. 4,000
	<hr/>
	Rs. 1,24,000

#### Perquisites

He shall be entitled to actual reimbursement of medical expenses, vehicle maintenance expenses, servant expenses, Entertainment and Furnishing expenses etc., not exceeding Rs.30,000/- per month.

#### Other Benefits

Benefits under Provident Fund as per the rules of the Company and this shall not be included in computing the value of perquisites.

He is also eligible for Club fees subject to a maximum of 2 clubs, leave travel concession, and personal accident insurance premium.

Further he will be eligible for Profit sharing incentive as per the rules of the company.

Further resolved that the Board of Directors be and are hereby authorized to alter or vary the terms of remuneration set out herein above in such manner so as not to exceed the limits specified in Schedule XIII or any amendments thereto.

Further resolved that the aforesaid minimum remuneration and perquisites to be paid in the event of loss or inadequacy of profits in any financial year shall be as per Schedule XIII of the Companies Act, 1956.



Further resolved that the aforesaid remuneration payable to Sri. P.S.Balasubramanian and the re- designation as Joint Managing Director shall be effective from 02.06.2004. The Annual increment will be falling due on 1st June of every year.

### **EXPLANATORY STATEMENT:**

(Pursuant to the provisions of Section 173(2) of the Companies Act, 1956.)

#### **ITEM NO. 6**

Sri. T.Muralidhar Bhagavat was appointed as an Additional Director with effect from 28.06.2004 by the Board of Directors of the Company at their meeting held on 26.05.2004 pursuant to the provisions of Section 260 of the Companies Act, 1956. Sri. T.Muralidhar Bhagavat holds office only up to the date of the forth coming Annual General Meeting. The Company has received a notice in writing from a member under Section 257 (1) of the Companies Act, 1956 notifying his intention to propose Sri T.Muralidhar Bhagavat as a candidate for the office of Director.

Sri T.Muralidhar Bhagavat is an Engineer by Profession. His vast experiences in the Forging Industries would enhance the value of our organization and hence the Board recommends this resolution set out in Item No. 6.

#### **ITEM NO. 7**

The Tenure of office of Sri.B.Vijayakumar Managing Director of our Company expires on 31.12.2004. The Board of Directors at their Meeting held on 26.05.2004, re – appointed Sri.B.Vijayakumar as Managing Director for a further period of 5 years commencing from 01.01.2005.

In view of the substantial and significant contribution made by Sri.B.Vijayakumar, Managing Director for the development of the company and keeping in view of the multifarious operations and the responsibility thereon handled efficiently, the Board felt that his re-appointment would be just and fair with the revised remuneration and perquisites and thought his vast experience in the industries would benefit the company at large to achieve new goals. Members are also requested to approve increase in remuneration and perks to the Managing Director with effect from 1.6.2004.

The re-appointment of the Managing Director and the payment of increased remuneration which is in conformity with schedule XIII of the companies Act, 1956 have been approved by the Remuneration Committee and the Board of Directors.

The Board recommends this resolution set out in item No.7 for the approval of the members.

None of the Directors except Shri.B.Vijayakumar is interested or concerned in this resolution.

This may be treated as an abstract of variation pursuant to Section 302 of the Companies Act, 1956.

#### **ITEM NO. 8**

The present tenure of office of Sri. P.S.Balasubramanian, Deputy Managing Director expires on 31.03.2005 and in recognition of his role in the development of the company to the present level, the Board thought it would be just and fair to re-designate him as "Joint Managing Director" and to re-appoint him as Joint Managing Director for a further period of 5 years commencing from 01.04.2005 with revised remuneration and perks in line with the size of the operations of the company and the increased responsibilities shouldered by him.

The re-appointment of the Joint Managing Director and the payment of increased remuneration which is in conformity with schedule XIII of the companies act 1956 have been approved by the Remuneration Committee and the Board of Directors.



The Board recommends this resolution set out in item No.8 for the approval of the members.

None of the Directors except Sri.P.S.Balasubramanian is interested or concerned in this resolution.

This may be treated as an abstract of variation pursuant to Section 302 of the Companies Act, 1956.

#### **NOTES:**

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

NAME	QUALIFICATION	EXPERIENCE	OTHER DIRECTORSHIPS IN PUBLIC LIMITED COMPANIES AND MEMBERSHIP IN COMMITTEES
Sri.B.Vijayakumar	B.Sc	27 Years	Super Spinning Mills Limited Elgi Equipments Limited Elgi Automotive Services Limited L.G.B.Auto Products Limited Coimbatore Private Industrial Estate Limited Super Energy Systems Limited Super Farm Products Limited LG Farm Products Limited Meridian Industries Limited.  <b>COMMITTEE MEMBERSHIPS :</b> LGB - Shareholders & Investors Committee. ELGI EQUIPMENTS - Share transfer and Investors Grievance Committee.
Sri.P.S.Balasubramanian	B.E	41 Years of Experience in Engineering Industries	Elgi Automotive Services Limited L.G.B.Auto Products Limited LG Farm Products Limited Super Energy Systems Limited  <b>COMMITTEE MEMBERSHIPS:</b> LGB-Shareholders & Investors Committee
Sri.S.Sivakumar	B.Com	23 Years of Experience in Business	L.G.B.Auto Products Limited Elgi Automotive Services Limited Coimbatore Private Industrial Estate Limited
Sri.Muralidhar Bhagavat	M.Tech. (M/c Tools) FIE	32 Years of Experience in Engineering industries	NIL



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 12.07.2004 to 28.07.2004 (Both days inclusive).
3. As required under the provisions of Section 205A of the Companies Act, 1956, the Company has transferred Unclaimed Dividends up to the Financial year 1993 – '94 to the General Revenue Account of the Central Government and in respect of unclaimed dividends for the financial year ended 31.03.1995 to the Investor Education and Protection Fund constituted by the Central Government. In respect of the amounts remaining in the Unpaid Dividend Accounts for 1996 – '97 and thereafter, the Company would transfer at the expiry of 7 years, to the aforesaid fund. Upon such a transfer a Member would have no claim against the Fund or the Company regarding his unpaid Dividend. Members may therefore promptly lodge their claims for unpaid dividends, if any, in respect of the Financial Years 1996–'97 to 2002–'03 to the company.
4. Members who have not encashed the dividend warrant(s) so far for the financial year 31st March 1997, or any subsequent dividend payment (s) are requested to make their claims with the Company and if the dividend warrant is lost, they may apply for duplicate warrant.
5. Members who are holding shares under more than one folio may approach the Company's Share Transfer Agent for consolidation.
6. 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 – 600 002) and those holding shares in the Dematerialised form are requested to intimate, to their respective **Depository Participants** for better communications.
7. 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.
8. Trading of our shares is compulsorily in dematerialised 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.
9. Since the Company has **sub – divided the shares** of Rs.10/- each into Re.1/- each Members are requested to obtain the original Shares of Re.1/- each in exchange of the Shares of Rs.10/- each by surrendering the same to the Company.

By Order of the Board,

Coimbatore  
26.05.2004

**A.JAMES CHANDRA MOHAN**  
Corporate General Manager &  
Company Secretary





## DIRECTORS' REPORT

Ladies and Gentlemen,

The Directors have great pleasure in presenting their Forty Eighth Annual Report together with Audited Accounts for the year ended 31st March 2004.

### FINANCIAL RESULTS:

(Rs.in Lakhs)

	31.03.2004	31.03.2003
Gross Income		
Domestic	26105.60	22499.50
Export	3908.79	3040.13
	30014.39	25539.63
Operating Profit	4099.90	3169.21
LESS: Interest & Bank charges	846.22	733.98
Gross Profit	3253.68	2435.23
LESS: Depreciation	1251.00	1059.22
<b>Profit Before Tax</b>	<b>2002.68</b>	<b>1376.01</b>
LESS: Provision for Taxation		
Current Income Tax	650.00	430.00
Deferred Tax	(8.40)	(8.50)
<b>Profit After Tax</b>	<b>1361.08</b>	<b>954.51</b>
ADD: Balance brought forward	600.61	289.97
Available for appropriation	1961.69	1244.48
<b>APPROPRIATIONS</b>		
1. Proposed Dividend on Equity shares	235.82	216.17
2. Tax on Dividend	30.22	27.70
3. Transfer to General Reserves	1000.00	400.00
4. Balance carried over	695.65	600.61
	1961.69	1244.48

### DIVIDEND

Your Directors are pleased to recommend a Dividend of 30 % (i.e.) Rs 0.30/- per share of Re.1/- each on the enhanced Paid up Capital which absorbs a sum of Rs.266.04 Lakhs which is inclusive of Income Tax.

### REVIEW OF OPERATIONS

During the year under review, your directors are pleased to report a growth rate of 18%, with a turnover of 300.14 crores compared to 255.40 crores in the earlier year. The EBITDA has also improved from 12.4 % in the earlier year to 13.66% at Rs.41.00 crores.

The primary growth has been in the chains and transmission business with the addition of fresh business in the metal forming divisions.



The automotive segment of business in general has been growing with the two-wheeler segment maintaining its gains of the previous years. The table below gives the total production of two wheelers in the last 3 years.

<u>Year</u>	<u>No. of Motorcycles</u>
2003-2004	44,29,000
2002-2003	38,28,000
2001-2002	28,83,000

There was an unprecedented increase in the prices of steel with hefty increases 3 times in the year. The impact on our products ranges from 20% to 40% on the selling prices, which has imposed a great strain on our workings as well as the requirement on our working capital. Not only did the steel prices increase, we also saw shortages in the supply of steel.

Your company was able to pass on a portion of the increase to its customers and by engineering and technical changes as well as production of increased volumes, offset the balance of the impact and maintain profitability. With more vehicles in the replacement market, our company has also been able to improve both the top line as well as to maintain the bottom line.

However a note of caution must be added as the company's ability to pass on such steel prices to the customers is limited and could affect the company's performance in subsequent years in case of further steel price increases without corresponding increases in the global prices.

With the recommended hiving off distribution business, textile and other businesses to subsidiary companies, the drop in turnover is expected to be more than offset by the new forging business with better realisations.

<b>CASH IN FLOW</b>		<b>(Rs. in Lakhs)</b>
Cash profit from Business operations		3228.74
Funds from Disposal of Fixed Assets		62.26
Funds from Disposal of Investments		8.69
Term loan availed during the year		803.52
Increase in Working Capital borrowings		463.78
Increase in Fixed Deposits		137.76
Increase in other Loan		55.90
		<b>4760.65</b>
<b>CASH OUT FLOW</b>		
Investments in Fixed Assets		2127.16
Investments in Shares :		
Subsidiary Company	451.26	
Others	<u>54.62</u>	505.88
Increase in Net current Assets		861.40
Repayment of term Loan		369.09
Repayment of ST Deferral Loan		37.08
Income Tax paid		618.66
Dividend paid		241.38
		<b>4760.65</b>