

L.G. BALAKRISHNAN & BROS LIMITED COIMBATORE



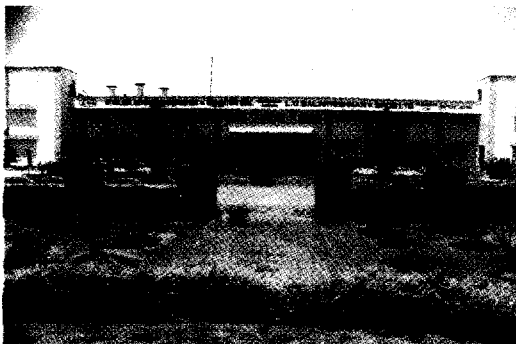
**49th
ANNUAL REPORT
2004 - 2005**

MANUFACTURING LOCATIONS

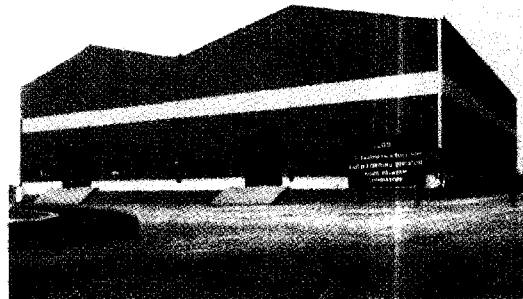
Corporate Office - Ganapathy



Auto Chain Plant - Annur



Auto Chain Plant - Vaiyampalayam



Cold Forging Plant - K.Palayam



L.G. BALAKRISHNAN & BROS LIMITED

DIRECTORS

Sri. L.G.Varadarajulu
Sri. B.Vijayakumar - Managing Director
Sri. P.S.Balasubramanian - Joint Managing Director
Sri. P.Balasubramanian
Sri. C.Nachiappan
Sri. S.Sivakumar
Sri. V.Govindarajulu
Sri. P.Shanmugasundaram
Sri. T. Muralidhar Bhagavat

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
The Bank of Nova Scotia
UTI Bank Limited
HDFC Bank Limited
EXIM Bank

REGISTRAR AND SHARE TRANSFER AGENTS

Cameo Corporate Services Limited
"Subramanian Building"
No.1, Club House Road,
Chennai- 600 002.

REGISTERED OFFICE

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



CONTENTS

1.	Notice	-	3 - 4
2.	Directors' Report	-	5 - 9
3.	Management Discussion and Analysis	-	10 - 10
4.	Report on Corporate Governance	-	11 - 17
5.	Auditors' Report	-	18 - 20
6.	Annual Accounts	-	21 - 55
7.	Subsidiary Company	-	57 - 80

Report  junction.com

49th ANNUAL GENERAL MEETING

Date	: 22 nd August 2005
Day	: Monday
Time	: 4.00 P.M.
Venue	: Ardra Convention Centre Kaanchan, 9, North Huzur Road, Coimbatore - 641 018.
Book Closure Dates	: 08.08.2005 to 22.08.2005 (Both Days Inclusive)



NOTICE

Notice is hereby given that the Forty Ninth Annual General Meeting of the Members of the Company will be held on Monday, the 22nd day of August 2005 at 4.00 P.M. at Ardra Convention Centre, Kaanchan, 9, North Huzur Road, Coimbatore- 641 018, to transact the following business:

AGENDA

ORDINARY BUSINESS

1. To consider and adopt the Audited Accounts of the Company for the year ended 31st March 2005, the Report of the Board of Directors to the shareholders and the Report of the Auditors of the Company.
2. To declare a dividend.
3. To appoint a Director in the place of Sri. L.G. Varadarajulu, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Sri P. Balasubramanian, who retires by rotation, and being eligible offers himself for re-appointment.

SPECIAL BUSINESS

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

"Resolved that Messrs. Deloitte Haskins & Sells, Chartered Accountants, be and are hereby appointed Auditors of the Company in the place of the retiring auditors Messrs. Fraser & Ross, Chartered Accountants, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and they be remunerated by way of such fees as the Board of Directors may determine."

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

"Resolved that the consent of the Company be and is hereby accorded in terms of section 293(1) (a) and other applicable provisions if any, of the Companies Act, 1956 subject to such modifications as may be necessary for mortgaging and/or creating by the Board of Directors of the Company of all the immovable properties present and future together with power

to take over the business and concern in respect of our property located at SF No 166/1, Ganapathy, Coimbatore- 641 006, in certain events to or in favour of EXIM Bank to secure its loan of Rs. 14.40 Crores under Equipment Finance Programme as per the Mortgage Deed".

EXPLANATORY STATEMENT

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

Item No 5

Proviso to Section 224(6)(a) of the Companies Act, 1956, provides that where a casual vacancy is caused by the retirement of an Auditor, the vacancy shall be duly filled by the Company in General Meeting. Hence, this resolution is placed before for your approval. Letter of resignation given by Messrs. Fraser & Ross can be inspected at the Registered Office of the Company during the business hours on any working day.

None of the Directors of the Company is interested or concerned in this resolution.

Item No 6

The Company has availed financial assistance from EXIM Bank in the form of Rupee Term Loan under Production Equipment Finance Programme.

The Financial assistance from the above institution has been secured by mortgaging all the immovable properties present and future in respect of our property located at SF No 166/1, Ganapathy Coimbatore- 641 006.

Section 293(1)(a) of the Companies Act, 1956 provides inter alia that the Board of Directors of a Public Limited Company shall not without the consent in General Meeting, sell, lease or otherwise dispose off the whole or substantially the whole of the undertaking of the Company or where the company owns more than one undertaking of the whole or substantially the whole of any such undertaking.

Since the mortgaging of the Company of its immoveable properties as aforesaid in favour of Financial Institutions may be regarded as disposal of the company's properties/ undertakings, it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956.

The copies of the relevant documents/ correspondences between the said Institution and



the Company are open for inspection at the Registered office of the Company between 11.00 A.M. to 1.00 P.M. on any working day prior to the date of the meeting.

None of the Directors of the Company is interested or concerned in this resolution.

NOTES:

1. Every member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote instead of himself. Such proxy need not be a member of the Company.

2. The proxy form duly filled in and stamped has to be delivered to the Company not later than 48 hours before the time of holding the aforesaid meeting.

3. 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. Cameo Corporate Services Limited, "Subramanian Building" No 1, Club House Road, Chennai- 600 002 quoting their respective folio numbers and those holding shares in the Demat form shall intimate the above details to their Depository Participants with whom they have Demat account.

4. The register of members and the share transfer register of our company will remain closed from 08-08-2005 to 22-08-2005 (both days inclusive).

5. Pursuant to Section 205-A of the Companies Act, 1956, all unclaimed dividends shall be transferred to the "Investor Education and Protection Fund" of the Central Government after a period of seven years from the date of declaration. Shareholders who have not encashed the dividend warrants for the years 1997-98 and thereafter are requested to write to the Secretarial Department of your Company at 6/16/13, Krishnarayapuram Road, Ganapathy, Coimbatore- 641 006 for claiming the dividend.

6. With respect to payment of Dividend, the Company provides the facility of Electronic Clearing Service (ECS) to shareholders residing in the following cities: Ahmedabad, Bangalore, Baroda, Bhuvaneshwar, Bhopal, Chandigarh, Chennai, Coimbatore, Guwahati, Hyderabad, Indore, Jaipur, Kanpur, Kolkata, Lucknow, Mumbai, Madurai, Nagpur, New Delhi, Patna, Panjim, Pune, Surat, Trivandrum, Vijaywada, Vishakapatnam.

Shareholders holding shares in the physical form, who wish to avail ECS facility, may authorize the Company with their ECS mandate in the prescribed form (enclosed) or can be had from Registrar and Transfer Agents M/s. Cameo Corporate Services Limited on request. Request for payment of dividend through ECS for the year 2004-2005 should be lodged with M/s. Cameo Corporate Services Limited on or before 08-08-2005

7. Members who are holding shares under more than one folio may approach the Company's Share Transfer Agent for consolidation.

8. Members can avail the nomination facility, under Section 109 A of the Companies Act, 1956, by filing up Form No 2B with the Share Transfer Agent and by execution of the relevant form with the Depository Participants concerned.

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.

10. Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.

11. Any member who needs any clarification on the accounts or operation of the Company should write to the Company Secretary, so as to reach him atleast 7 days before the meeting, so that the information required can be made available at the meeting.

Coimbatore
23-05-2005

By Order of the Board,
A. James Chandra Mohan
Vice President (Commercial) &
Company Secretary



DIRECTORS' REPORT

Ladies and Gentlemen,

The Directors have great pleasure in presenting their Forty Ninth Annual Report with Audited Accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS:

	(Rs. in Lakhs)	
	31-03-2005	31-03-2004
Gross Income		
Domestic	39084.07	26105.60
Export	2190.45	3908.79
	41274.52	30014.39
Operating Profit	5533.68	4099.90
LESS : Interest & Bank Charges	1503.12	846.22
Gross Profit	4030.56	3253.68
LESS : Depreciation	1623.50	1251.00
Profit Before Tax	2407.06	2002.68
LESS : Provisions for Taxation		
Current Income Tax	490.00	650.00
Deferred Tax	267.84	(8.40)
Profit After Tax	1649.22	1361.08
ADD : Balance brought forward	695.66	600.61
Available for appropriation	2344.88	1961.69
APPROPRIATIONS:		
1. Proposed Dividend on Equity Shares	628.85	235.82
2. Tax on Dividend	84.43	30.22
3. Transfer to General Reserves	1010.68	1000.00
4. Balance carried over	620.92	695.65
	2344.88	1961.69

DISPOSAL OF CERTAIN OPERATIONS OF COMPANY

In accordance with the consent of the shareholders obtained in the last Annual General Meeting held on 28-07-2004 for the disposal of the whole or substantially the whole of the undertaking of Textile Division, Motor Sales & Service Divisions, Bus Body

Division, Motor Sports Division, Power Tools Division, Engineering Division, Distribution Division of Mico, Blaupunkt, Elf products and Pre-cured Re-treading operation, the aforesaid operations have been disposed off during the year under review.

MERGER OF APTEN FORGINGS LIMITED

Erstwhile Apten Forgings Limited our wholly owned subsidiary company had been merged with our company by virtue of scheme of amalgamation as approved by the shareholders at their Extra Ordinary General Meeting held on 07-03-2005 and the Hon'ble High Court of Judicature Madras vide its order No 3406/05 dt. 25-04-2005

ACQUISITION OF OPERATIONS OF MGM INDUSTRIES AND SWATHE GEARS AND HEAT TREATERS

Your company had acquired the operations of M/s. MGM Industries and Swathe Gears and Heat Treaters, Mysore based firms effective from 01-06-2004. These divisions are engaged in the manufacture of hot forging components and they have good customer base.

DIVIDEND

In line with our vision of being a metal forming company with sizeable market share, your company has gone for expansion and has acquired a large factory premises at Pongalur for its fine blanking unit. The Company has also set up a new facility for manufacturing of cold forgings at K. Palayam. Substantial amounts of capital expenditure are being incurred. Your company has also paid an interim dividend of 50% to commemorate the commencement of Golden Jubilee year of our company.

In view of the above, the Directors are pleased to recommend a further dividend of 30% bringing the total dividend for the year to 80% (i.e.) Re.0.80 per share of Re.1/- each which absorbs a sum of Rs.713.28 Lakhs which is inclusive of Income Tax.

REVIEW OF OPERATIONS

The financial year ended March 31, 2005, reported impressive sales from operations to **Rs. 40836.10 Lakhs** as against **Rs.29833.76 Lakhs**, during the previous year, registering a growth of **37%**.

The year also saw an increase in raw material costs, which could not be fully absorbed by the increase in selling prices. By achieving higher production, enhanced operating efficiencies, better working



capital management, aggressive marketing policies backed by a highly motivated team and overall cost reduction measures, your company was able to achieve its desired performance.

The revenue from exports showed a negative growth due to tough cost competition from other global players especially from China. During the year your company has identified certain potential global customers and focusing for higher revenue. Your company is developing new range of products for the export market.

CASH IN FLOW (Rs. in Lakhs)	
Cash profit from Business Operations	3804.18
Funds from Disposal of Fixed Assets	1038.67
Availment of Term Loan	3500.00
Additional Working Capital Borrowings	2434.47
Funds from Disposal of Investments	14.00
Others	16.32
Total	10807.64
CASH OUT FLOW (Rs. in Lakhs)	
Repayment of Unsecured Loans	95.41
Decrease in Fixed Assets	40.65
Investment in Fixed Assets	7361.32
Increase in Net Current Assets	858.20
Repayment of Term Loan	790.21
Increase in Investments	194.17
Dividend paid for the year 2003-04 & Interim 2004-05	710.42
Income-tax paid (including TDS)	757.26
Total	10807.64

FUTURE PLANS

During the year under review, the company has expanded its chain operations, metal forming operations and forging operations to meet the additional demand. Thus your company is in a

position to supply various types of automobile and industrial components, cold, hot & warm forging components, fine blanking components and also varieties of flat wires, shaped wires etc., to cater the demands of both domestic and global markets.

Your company has taken various initiatives on the product development process; reducing the product development lead time, stimulation system and design of experiments, to name a few, in this direction. Up gradation of this process continues to be a key strategy for your company. Your company has also engaged consultant, to assist the company in the overall product design and development, apart from process design and improvements.

PRODUCTIVITY EFFICIENCY IMPROVEMENT PROGRAMMES

Productivity improvement initiatives continue to be major thrust area, in view of growing expectations and spiraling cost. Quality improvement and/ or cost reduction is the major focus of these initiatives. Six Sigma initiatives were taken across the Company, for reduction of defects and for improving the processes. TPM activities continue to be a part of the organization culture. Balanced Score Card is now being effectively deployed to align the various initiatives of the Company to its strategic objectives.

INDUSTRIAL RELATIONS

Industrial relations are cordial in all the units and your Directors appreciate the co-operation extended by the employees.

FIXED DEPOSITS

As on 31-03-2005 your company had 1789 deposits amounting to Rs.705.02 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 31-03-2005, 3 Deposits amounting to Rs.1.19 Lakhs had become due for payment that has not been claimed or renewed. These depositors were approached for instruction regarding renewal / repayment.

Subsequently 2 deposits amounting to Rs. 0.75 lakhs has been discharged and paid.

There were 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 Shares are listed at Coimbatore, Madras, Mumbai and National Stock Exchanges. Necessary Listing Fees have been paid to all these stock exchanges for the year 2005-2006.

DIRECTORATE

Sri. L.G. Varadarajulu and Sri. P. Balasubramanian will be the Directors retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. The profile of the Directors to be re-appointed in the ensuing Annual General Meeting is given in the Annexure to this report.

AUDITORS

The present Statutory Auditors, Messrs. Fraser & Ross have informed that they do not wish to seek reappointment at the ensuing Annual General Meeting. The Board wishes to record its appreciation for the professional services rendered by them during their association with the Company.

Messrs. Deloitte Haskins & Sells, Chartered Accountants are proposed to be appointed as Statutory Auditors of the Company with the approval of the Members at the ensuing Annual General Meeting. The members are requested to consider the appointment of Messrs. Deloitte Haskins & Sells as the Statutory Auditors for the year ending 31st March, 2006, as set out in the Notice convening the forthcoming Annual General Meeting, at a remuneration to be decided by the Board of Directors.

SUBSIDIARY COMPANIES

During the year under review M/s. LGB Textiles Limited became our wholly owned subsidiary company with effect from 17-11-2004 by acquisition of shares and its accounts form part of this Annual Report. The audited consolidated financial statements including the subsidiary company are also attached to this Annual Report.

INFORMATION IN ACCORDANCE WITH SECTION 217 OF THE COMPANIES ACT, 1956.

There are no employees within the meaning of sub-section (2A) of Section 217 who are getting remuneration in excess of the amounts prescribed.

STATUTORY INFORMATION

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.

ADDITIONAL DISCLOSURES

In line with the requirement of the Listing Agreement with the Stock Exchanges, Management Discussion and Analysis Report, Corporate Governance Report, Segmental Reporting and Related Party Disclosures have been made part of this Annual Report.

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 :

1. In the preparation of the Annual Accounts, all the applicable accounting standards have been followed.
2. 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, 2005 and of the profit of the company for the financial year.
3. 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.
4. These Annual Accounts have been prepared on a "going concern basis"

ACKNOWLEDGEMENT

In the Golden Jubilee year under review your Directors are happy to place on record its appreciation, for the whole hearted support extended by the Employees, Customers, Suppliers, Bankers, and Financial Institutions for the growth at the present level. They thank the valued shareholders for their continuing encouragement and support.

By Order of the Board

Coimbatore
23-05-2005

B. VIJAYAKUMAR
Managing Director

L.G. VARADARAJULU
Director



ANNEXURE TO DIRECTORS' REPORT

INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956

A. CONSERVATION OF ENERGY

Conservation of Energy is an ongoing process and the Company has taken the appropriate steps to save the energy wherever possible.

FORM A

	Current Year 2004-2005			Previous year 2003- 2004	
	Apten Forgings Division (April 04 to March 05)	MGM Forgings Division (June 04 to March 05)	Textile Division (April 04 to 17-11-04)	Textile Division (April 03 to March 04)	Forgings Division (April 03 to March 04) (Apten)
A. POWER AND FUEL CONSUMPTION					
1) Electricity					
a) Purchased					
Units in Lakhs	19.03	45.41	27.80	39.60	9.85
Total Amount in Rs. in Lakhs	97.80	213.02	117.08	173.89	45.11
Rate per unit in Rs.	5.14	4.69	4.21	4.39	4.57
b) Own Generation					
i) Through Diesel Generator					
Units in Lakhs	2.56	2.06	2.42	2.80	7.15
Units per Litre of Diesel Oil	2.25	2.36	3.75	3.56	2.06
Cost per Unit Rs.	8.86	9.20	7.04	4.90	9.20
ii) Through Windmill Generation					
Units in Lakhs	Nil	Nil	10.36	16.35	Nil
Total amount in Rs.	Nil	Nil	31.08	48.98	Nil
Cost per Unit	Nil	Nil	3.00	3.00	Nil
iii) Furnace Oil					
Qty. (K.Ltrs)	Nil	5.35	Nil	Nil	Nil
Total amount in Rs.	Nil	84.33	Nil	Nil	Nil
Rate per K. Ltr (Rs.)	Nil	15.76	Nil	Nil	Nil
iv) Others:- Fuel Oil					
Qty. (K.Ltrs)	Nil	5.49	Nil	Nil	Nil
Total amount in Rs.	Nil	111.14	Nil	Nil	Nil
Rate per K. Ltr (Rs.)	Nil	20.04	Nil	Nil	Nil
B. Consumption per unit of production. (Production of various counts has been converted to the standard count of 40s)					
	Nil	Nil	4.67	5.12	Nil