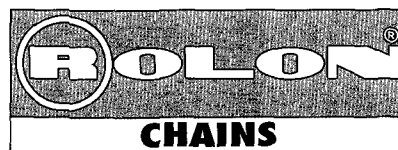
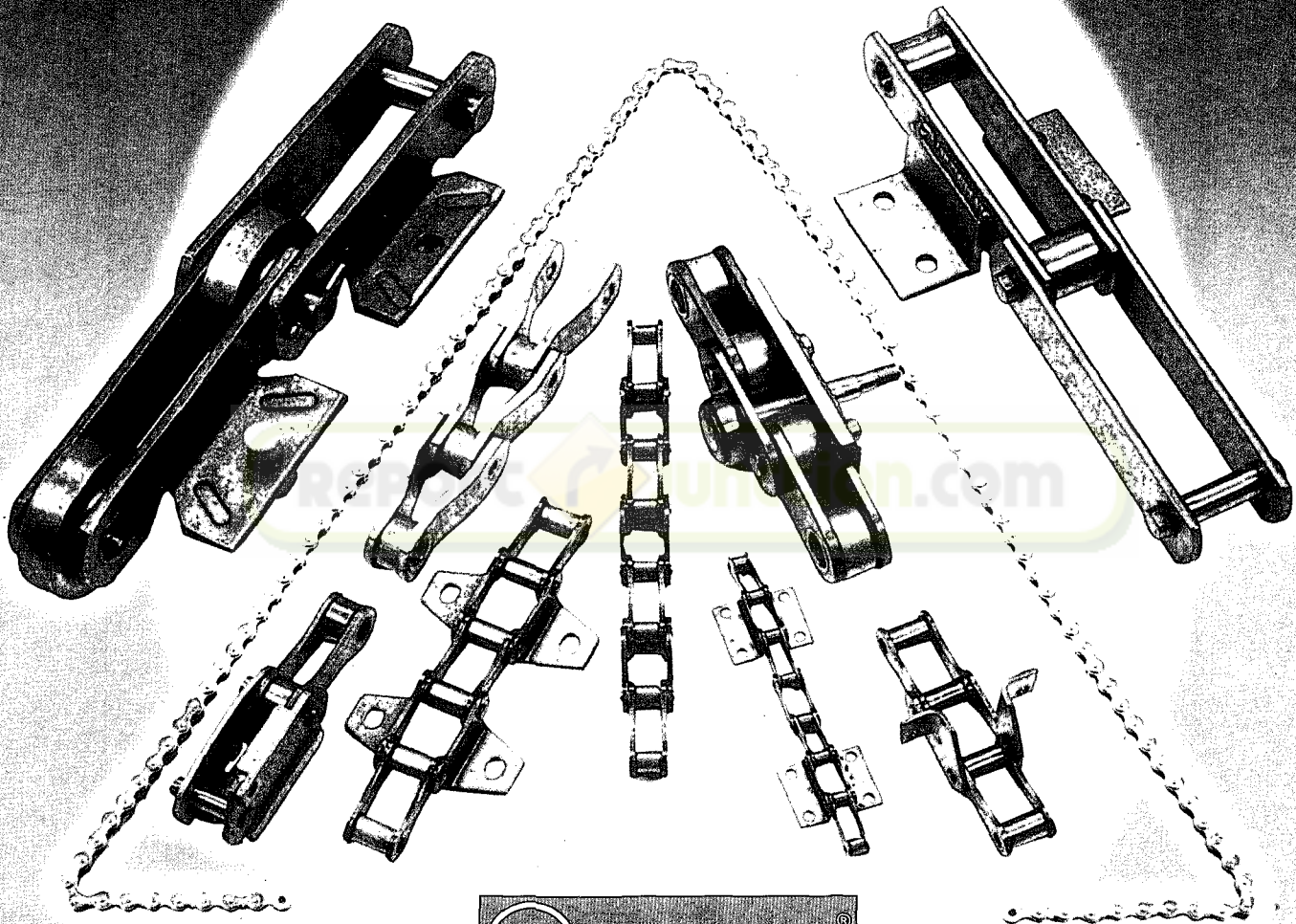
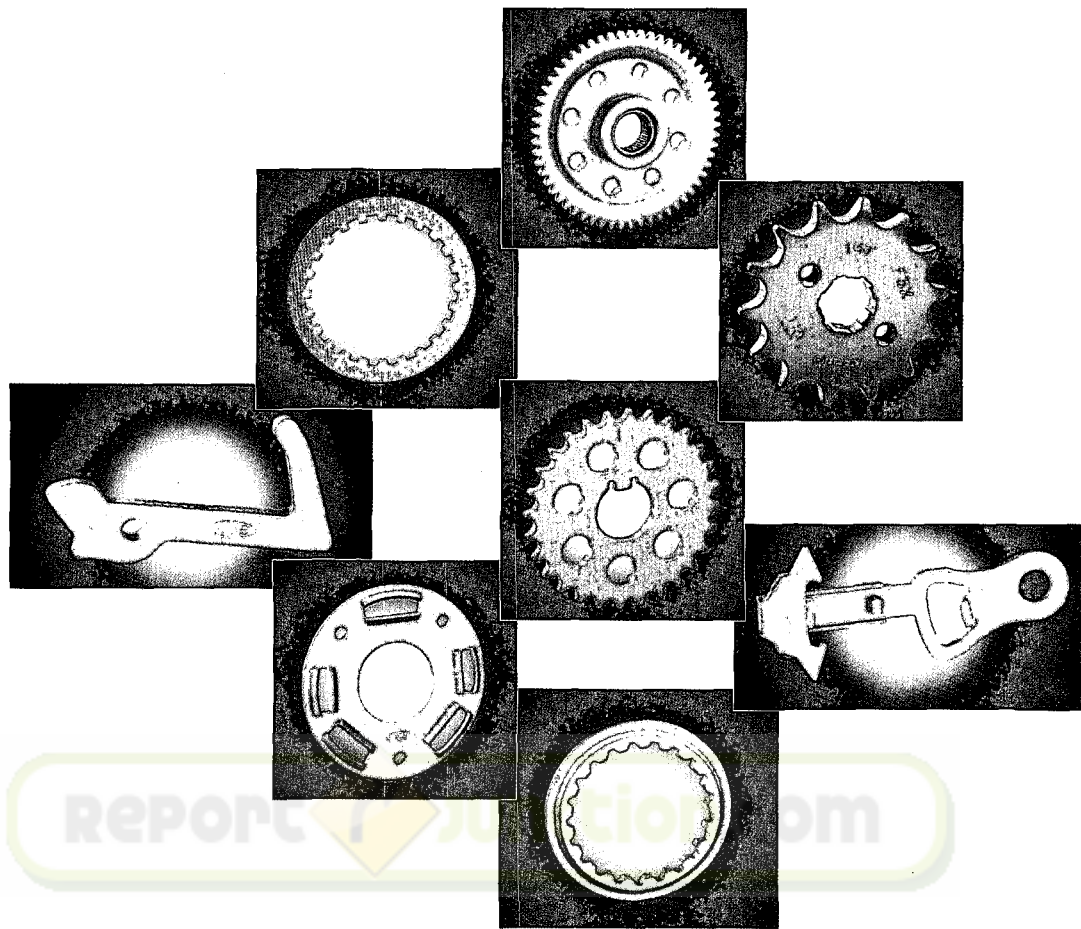


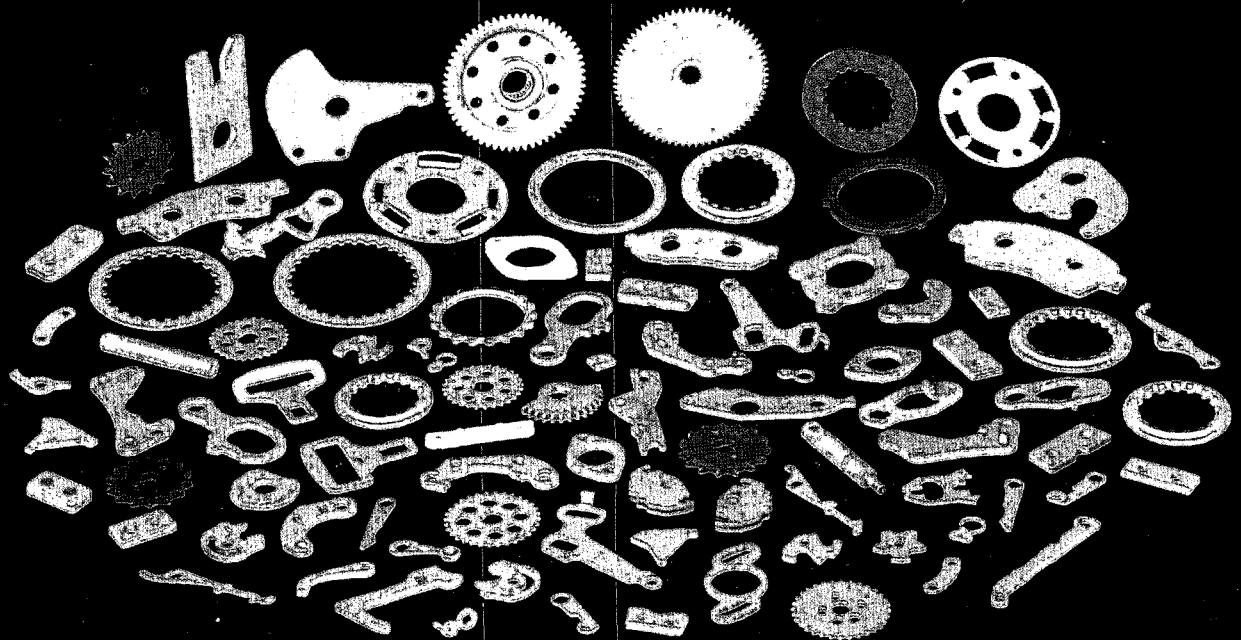
L.G. BALAKRISHNAN & BROS LIMITED COIMBATORE



51st
ANNUAL REPORT
2006 - 2007



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L.G. BALAKRISHNAN & BROS LIMITED

Corporate Information

BOARD OF 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
 Smt. Rajsri Vijayakumar

COMPANY SECRETARY

Sri. M. Lakshmi Kanth Joshi

AUDITORS

M/s. Deloitte Haskins & Sells
 Chartered Accountants

BANKERS

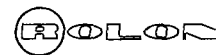
Andhra Bank
 BNP Paribas
 Corporation Bank
 EXIM Bank
 HDFC Bank Limited
 IndusInd Bank Limited
 ICICI Bank Limited
 IDBI Bank Limited
 Standard Chartered Bank
 The Bank of Nova Scotia
 UTI Bank Limited
 Union Bank of India

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.



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51st ANNUAL GENERAL MEETING

Date	: 24th September 2007
Day	: Monday
Time	: 9.30 A.M.
Venue	: Ardra Convention Centre Kaanchan, 9, North Huzur Road Coimbatore- 641 018.
Book Closure Dates	: 10.09.2007 to 24.09.2007 (Both Days Inclusive)



NOTICE

Notice is hereby given that the Fifty First Annual General Meeting of the Members of the Company will be held on Monday the 24th day of September, 2007 at 9.30 AM. 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 audited Balance Sheet as at 31st March, 2007, and the Reports of the Directors and Auditors of the Company.
2. To declare dividend on equity shares.
3. To appoint a Director in the place of Sri. V. Govindarajulu who retires by rotation, and being eligible offers himself for re-appointment.
4. To appoint a Director in the place of Sri. S. Sivakumar who retires by rotation, and being eligible offers himself for re-appointment.
5. To re-appoint Messrs. Deloitte Haskins & Sells, Chartered Accountants as Auditors, to hold office from the conclusion of this Annual General Meeting until 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(s), the following resolution as an Ordinary Resolution.

RESOLVED that Smt. Rajsri Vijayakumar, who was appointed as Additional Director of the Company and who holds office until the date of the Annual General Meeting, pursuant to Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice from a member under Section 257 of the Companies Act, 1956, proposing her candidature, be and is hereby appointed as a Director of the Company, liable to retire by rotation.

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution.

RESOLVED THAT in accordance with the applicable provisions of the Companies Act, 1956, the Securities Contracts (Regulation) Act, 1956, the Listing Agreements with the Stock Exchanges and the

provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, or any amendment or modification thereof and subject to such other approvals, permissions and sanctions as may be necessary, and such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions, or sanctions which may be agreed to by the Board of Directors of the Company ("hereinafter referred to as "the Board") or any person(s) authorized by the Board, consent be and is hereby accorded to the Board to delist the Securities of the Company from Coimbatore Stock Exchange Limited and Madras Stock Exchange Limited.

RESOLVED further that the Board of Directors of the Company be and is hereby authorized to seek voluntary delisting and to take all necessary steps in this regard as it may in its absolute discretion deem necessary and to settle any questions, difficulties, doubts that may arise in regard to delisting of the existing securities, and to execute all such deeds, documents, writings as may be necessary or expedient and for this purpose to delegate the authority to any one of the Directors of the Company or the Company Secretary or any persons to do various acts, deeds and things required to be done in this behalf.

EXPLANATORY STATEMENT

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

Item No. 6

Smt. Rajsri Vijayakumar was co-opted as an Additional Director of the Company with effect from 30.10.2006. Pursuant to Section 260 of the Companies Act, 1956, Smt. Rajsri Vijayakumar holds office of Director up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member along with a deposit of Rs.500/- proposing the candidature of Smt. Rajsri Vijayakumar for the office of Director under the provisions of Section 257 of the Companies Act, 1956.

Smt. Rajsri Vijayakumar, the appointee Director, and Sri. B. Vijayakumar being relative of the appointee Director are deemed to be concerned or interested in this resolution



The Board recommends the resolution set forth in Item No.6 for the approval of the members.

Item No. 7

The Securities of the Company are presently listed on the Stock Exchanges at Coimbatore Stock Exchange Limited (CSX), Madras Stock Exchange Limited (MSE), The National Stock Exchange Limited (NSE) and Bombay Stock Exchange Limited (BSE). The Company's securities are regularly traded on BSE & NSE, whereas, the trading volumes in the securities on MSE & CSX are either nil or insignificant. NSE & BSE has extensive networking of trading terminals which facilitate trading by Members/ Investors across the country. The Company's securities are now compulsorily traded in the dematerialized form. Accordingly, the Board of Directors of your Company at its meeting held on 14.06.2007, recommended for voluntary delisting of the Company's securities from CSX and MSE to, inter-alia, save the annual recurring fee paid to the said stock exchanges which does not commensurate with the benefits to the Company or its investors. The proposed voluntary delisting of securities from the above Stock Exchanges would not hamper the interest of the investors as the listing of our securities are continued to be listed on NSE & BSE which has nationwide trading terminals.

Delisting of the Company's securities from the aforesaid Stock Exchanges would result in administrative conveniences and saving in cost on account of listing fee, etc.

In terms of the requirement of the Securities & Exchange Board of India (Delisting of Securities) Guidelines 2003 and other applicable provisions, if any, approval of the Members is sought by way of Special Resolution vide Item 7 of the Notice, for voluntary delisting of the Company's securities from CSX & MSE.

Your Directors recommends for passing of the above resolution.

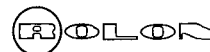
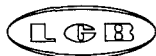
None of the Directors of the Company is interested or concerned in the said resolution.

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 instrument appointing the proxy must be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.
3. The register of Members and the Share Transfer Books of the Company will remain closed from 10-09-2007 to 24-09-2007 (both days inclusive).
4. Members holding shares in physical form are requested to intimate, indicating their folio number, the changes, if any, in their registered addresses and Bank Account details, either to the Company or to its Registrar and Share Transfer Agents, M/s. Cameo Corporate Services Limited, "Subramanian Building" No.1, Club House Road, Chennai - 600 002, or to their respective Depository Participants ("DP") in case the shares are held in dematerialized form.
5. Members are requested to note that dividends not encashed or unclaimed for a period of seven years from the date of transfer to the Company's Unpaid Dividend Account, will as per Section 205A of the Companies Act, 1956 be transferred to the Investor Education and Protection Fund, established under Section 205C of the said Act. Members who have not yet encashed the dividend warrant(s) from the financial year ended 31.03.2000 onwards are requested to forward their claims to the Secretarial Department of the Company at 6/16/13, Krishnarayapuram Road, Ganapathy, Coimbatore - 641 006 for claiming the dividend. It may be noted that once the unclaimed dividend is transferred to the Investor Education and Protection Fund as above, no claim shall lie with the Company in respect of such amount.
6. To avoid loss of Dividend Warrants in transit and undue delay in respect of receipt of Dividend Warrants, the Company has provided a facility to the Members for remittance of Dividend through the Electronic Clearing System (ECS). The ECS facility is available at locations identified by Reserve Bank of India from time to time and covers most of the cities and towns.



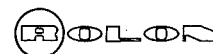
- Shareholders holding shares in the physical form, who wish to avail ECS facility, may authorize the Company with their ECS mandate in the prescribed form (enclosed) or can be had from Registrar and Transfer Agents M/s. Cameo Corporate Services Limited on request. Request for payment of dividend through ECS for the year 2006-2007 should be lodged with the Registrar & Transfer Agents of our Company, M/s. Cameo Corporate Services Limited, Chennai.
7. Members who are holding shares more than one folio under physical form may approach the Company's Share Transfer Agent for consolidation with respective details.
 8. 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.
 9. Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.
 10. Members seeking any information or clarifications on the Annual Report are requested to send in written queries to the Company at least two weeks before the meeting to enable the Company to compile the information and provide replies at the meeting.

As per Clause 49 of the Listing Agreement with Stock Exchanges, Information on Directors recommended for appointment or seeking re-appointment at the Annual General Meeting.

Sl. No.	Name	Qualification	Experience	Other Directorships held	Committee Membership
1.	Smt. Rajsri Vijayakumar	Bachelor of Administration (USA)	More than 5 yrs experience in General Administration	Elgi Automotive Services Ltd LG Farm Products Ltd LGB Rolon Chain Ltd LGB Forge Ltd Rolon Fine Blank Ltd LGB Fuel Systems (P) Ltd Super Speeds (P) Ltd Super Transports Pvt Ltd	- Nil -
2.	Sri. V. Govindarajulu	B.E.,	More than 22 yrs experience in Sourcing and General Administration	- Nil -	- Nil -
3.	Sri. S. Sivakumar	B.Com.,	More than 24 yrs experience as an Industrialist	L.G.B Auto Products Ltd LG Sports Ltd Elgi Automotive Services Ltd CBE. Pvt. Industrial Estate Ltd LGB Rolon Chain Ltd LGB Forge Ltd Rolon Fine Blank Ltd Ishwarya Lakshmi Finance (P) Ltd SLVM Components (P) Ltd Veridis Tech India Private Ltd	- Nil -

Coimbatore
14.06.2007

By Order of the Board,
M. Lakshmi Kanth Joshi
Company Secretary



DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 51st Annual Report of your Company together with the audited accounts for the year ended 31st March, 2007.

FINANCIAL RESULTS:

The performance of the Company for the financial year ended March 31, 2007 is summarized below :

Particulars	31-03-2007 (Rs. in Lakhs)	31-03-2006 (Rs. in Lakhs)
Gross Profit before Interest, Depreciation	8434.26	6083.02
Less:		
Interest	2802.22	1953.48
Depreciation	2515.75	1914.53
Profit Before Tax	3116.29	2215.01
LESS : Provisions for Taxation		
Current Income Tax	675.00	240.00
Deferred Tax	96.78	571.26
Fringe Benefit Tax	48.50	44.33
Profit After Tax	2296.01	1359.42
ADD : Balance brought forward	1575.51	620.92
Available for appropriation	3871.52	1980.34
APPROPRIATIONS :		
1. Proposed Dividend on Equity Shares	420.70	235.82
2. Tax on Dividend	71.50	33.07
3. Transfer to General Reserves	390.98	135.94
4. Balance carried over	2988.34	1575.51
	3871.52	1980.34

DIVIDEND

Your Directors are pleased to recommend a dividend of 50 % on the equity shares, and this along with the Dividend Distribution Tax translates to a payout of 21.44% of the profit after tax. The dividend would be paid upon approval by the members in the ensuing Annual General Meeting to the registered members as on the Book closure date. In respect of the dematerialized shares, dividend will be paid to the beneficial owners based on the list provided by the Depositories.

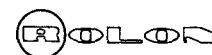
The dividend pay out for the year under review has been formulated in accordance with the Company's Dividend pay out policy of striving to pay stable dividend linked to long term performance, keeping in view the Company's need for capital, its growth plans through internal accruals to the maximum. Your Directors believe that this would

increase shareholders value and eventually lead to a higher return threshold.

REVIEW OF OPERATIONS

During the year under review, the Company registered a turnover of Rs.53840.99 Lakhs as against Rs.46974.54 Lakhs in the previous year. The continued pressure for price reduction by OEMs and severe competition in the After Market coupled with continuous increase in the cost of inputs, have had their impact on the margin and profits.

Your Company's relentless drive towards improvement in productivity and sustained cost control measures have enabled the Company to achieve a profit level before tax of Rs.3116.29 Lakhs, as against Rs.2215.01 Lakhs recorded in the previous year.



Your Company has taken continuous steps to keep itself abreast of the latest development in quality/productivity improvements. Your Company is also increasing its marketing efforts, both on the OE and After- Market fronts.

NEW PLANT

In order to cater to the requirements of major OEMs customers the Company has set up a new manufacturing plant in Pantnagar, Uttarakhand State, India. The various tax benefits scheme like 100% Excise Duty exemption, Income Tax exemption, Capital Investment subsidy from the Central Government and the relief in Central Sales Tax on out going materials announced by the concerned state would help our customers to gain a competitive advantage and thereby increase their markets. This indirectly benefits us due to increased production levels. The Company has obtained necessary approvals and invested Rs.8.25 Crores for the year 2006-2007 and the commercial productions has started in December 2006. The additional investments during the current year take into account the long term business prospects and export orders and has planned the utilisation of its internal accruals accordingly.

GREEN FIELD PROJECTS

As indicated in the last report, your Company has already set up a new forging plant near our existing plant at Annur and the commercial production is expected to commence during the second half of 2007-2008. All approvals required in this connection have been obtained from various Government Agencies.

ENHANCEMENT OF CAPITAL

During the year under review the Company has made Preferential Allotment of 55,32,714 Equity Shares of Re.1/- each at a premium of Rs.38.89/- to International Finance Corporation, Washington (IFC) a subsidiary of World Bank. The shares were issued with an one-year lock-in period as per the preferential issue guideline of SEBI. This has enhanced our paid up capital to 8,41,39,034 Equity Shares of Re.1/- each.

RIGHTS ISSUE OF 1% SECURED OPTIONALLY CONVERTIBLE BONDS

With a view to augment financial resources for the Company for repayment of existing high cost debts and

other corporate activities as well as to meet the long term working capital requirements your Company came out with Rights Issue of 93,48,782 1% Secured Optionally Convertible Bonds of Rs.101/- each for cash at par aggregating Rs. 9442.27 Lakhs which may be convertible into or exchangeable into Equity Shares at a future date or convertible secured bonds entitling the persons to apply for equity shares or any combination thereof at a premium during February 2007. The issue was over subscribed by 1.13 times and the Bonds were allotted on 27th March 2007 and listed with BSE, NSE and MSE.

DISPOSAL OF SUBSIDIARY COMPANY

Your Directors wish to state that during the year under review, your Company has disposed the investment held in their erstwhile wholly owned subsidiary namely LGB Textiles Limited through Share Purchase Agreement for a consideration of Rs.19.92 Crores which resulted a profit of Rs.9.20 Crores to the Company.

VOLUNTARY DE- LISTING OF SECURITIES OF COMPANY

The Equity Shares and Bonds of your Company are presently listed at Coimbatore Stock Exchange Limited, Madras Stock Exchange Limited, Bombay Stock Exchange Limited and National Stock Exchange Limited. Necessary listing fees have been paid to all these stock exchanges for the year 2007-2008.

It is proposed that since the shares of the Company are listed in Bombay Stock Exchange Limited and National Stock Exchange of India Limited which have national wide terminals, the delisting on Stock Exchanges at Coimbatore Stock Exchange Limited and Madras Stock Exchange Limited would not affect the trading of our shares and hence this can be discontinued subject to such approvals in this regard. The matter of delisting of equity shares from Coimbatore Stock Exchange Limited and Madras Stock Exchange Limited is being pursued simultaneously.

FIXED DEPOSITS:

The amount of fixed deposits available with the Company as on 31st March, 2007 is Rs.385.31 Lakhs.

As on 31.03.2007 2 Deposits amounting to Rs.0.56 lakh has become due for payment that has not been claimed or renewed. This Depositors were approached for instructions regarding renewal / re-payment.



There were no failure to make repayment of Fixed Deposits on maturity, on the fulfillment of the terms and conditions of your Company's scheme.

DIRECTORS:

Sri. V. Govindarajulu and Sri. S. Sivakumar retires by rotation in the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Sri. T. Muralidhar Bhagavat has resigned as Director of the Company with effect from 14th August 2006. Your Directors wish to place on record the valuable services rendered by him during his tenure of his office as a Director.

Smt. Rajsri Vijayakumar joined the Board as Additional Director on October 30, 2006 and will hold office till the ensuing Annual General Meeting.

The Company has received notices from members proposing the appointments of Smt. Rajsri Vijayakumar as Director of the Company.

CORPORATE GOVERNANCE:

A separate report on Corporate Governance pursuant to Clause 49 of the listing agreement with stock exchanges, including the management discussion and analysis, shareholders information and auditors certificate on its compliance, forms a part of this Annual Report.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

In terms of Section 205 C of the Companies Act, 1956, an amount of Rs.0.36 Lakhs being unclaimed dividend was transferred during the year to the Investor Education and Protection Fund established by the Central Government.

AUDITORS:

M/s. Deloitte Haskins & Sells, Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

The Audit Committee of the Board has recommended the re-appointment of M/s. Deloitte Haskins & Sells and the

necessary resolution is being placed before the shareholders for re-appointment at the ensuing Annual General Meeting.

DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS:

The company continues to give emphasis on training and development of personnel's to upgrade their skill and motivate them. Industrial relations at all the works of the Company remained cordial through out the year.

PARTICULARS OF EMPLOYEES:

None of the employees of the Company was in receipt of remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :

The particulars are prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are given in Annexure forming part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT:

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors state:

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii. that appropriate accounting policies selected and applied are consistent and the 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, 2007 and of the profit of the Company for the year ended on that date.
- iii. that proper and sufficient care has been taken for the maintenance of adequate accounting records in