

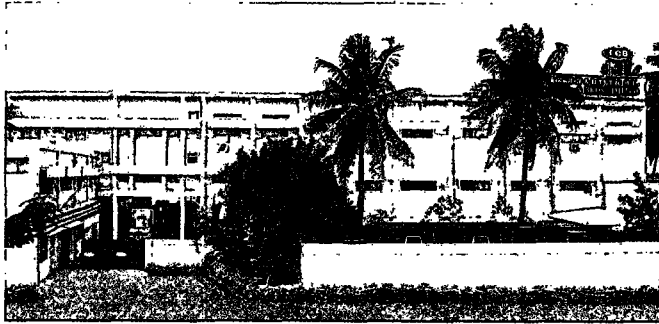
# **L.G. BALAKRISHNAN & BROS LIMITED** **COIMBATORE**



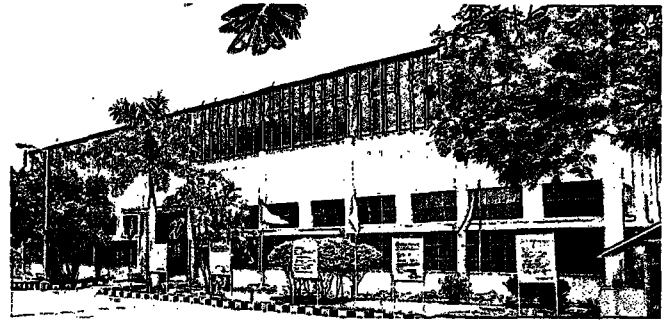
Roller Chains - Automotive & Industrial  
Fine Blanking  
Cold Forging  
Hot & Warm Forging  
Precision Machining with Heat Treatment



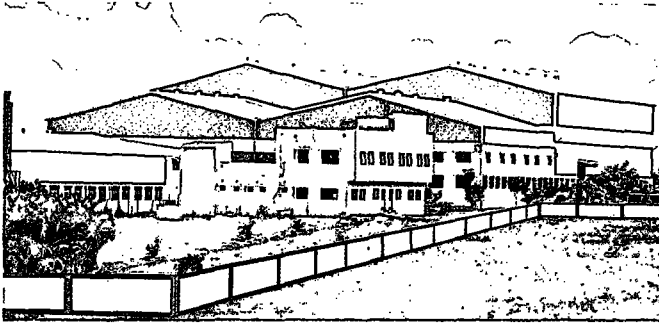
52nd  
ANNUAL REPORT  
2007 - 2008



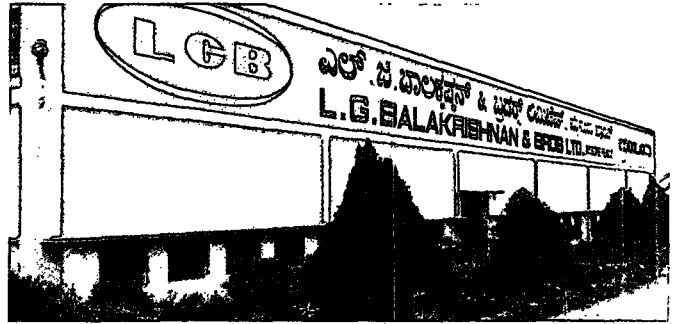
Corporate Office



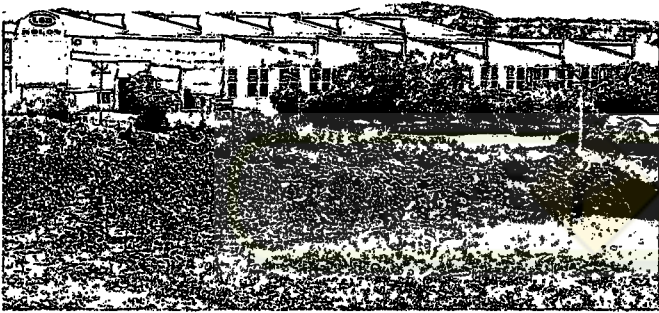
Annur Plant



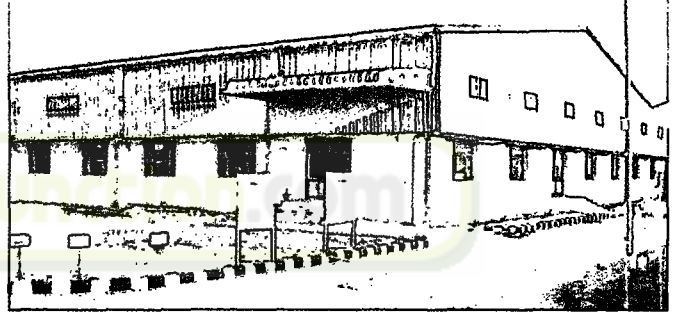
K. Palayam Plant



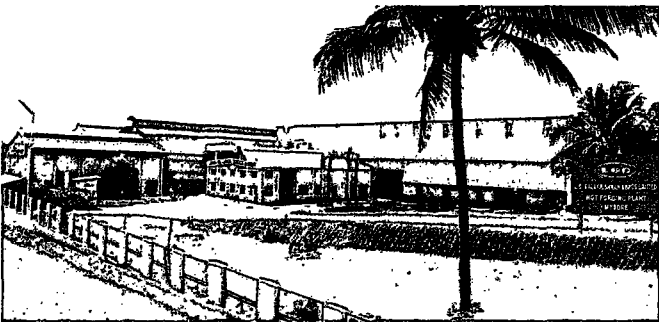
Mysore Plant



D. Gudalur Plant



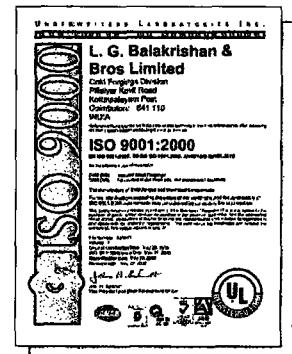
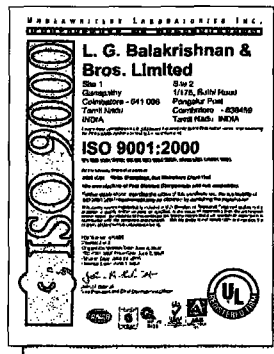
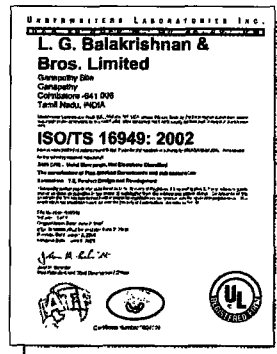
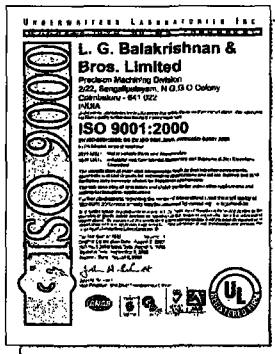
Pant Nagar Plant



Forging Plant Mysore



Vaiyampalayam Plant





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

### **Corporate Information**

#### **BOARD OF DIRECTORS**

Sri. L.G. Varadarajulu  
 Sri. B. Vijayakumar      **Managing Director**  
 Sri. P. Prabakaran      **Executive Director**  
 Sri. P. Balasubramanian  
 Sri. C. Nachiappan  
 Sri. S. Sivakumar  
 Sri. V. Govindarajulu  
 Sri. P. Shanmugasundaram  
 Smt. Rajsri Vijayakumar  
 Sri. R. Vidhya Shankar

#### **COMPANY SECRETARY**

Sri. M. Lakshmi Kanth Joshi

#### **AUDITORS**

M/s. Deloitte Haskins & Sells  
 Chartered Accountants

#### **BANKERS**

Andhra Bank  
 Axis Bank Limited  
 BNP Paribas  
 Corporation Bank  
 HDFC Bank Limited  
 IndusInd Bank Limited  
 ICICI Bank Limited  
 IDBI Bank Limited  
 Standard Chartered Bank  
 The Bank of Nova Scotia  
 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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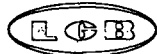


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### 52nd ANNUAL GENERAL MEETING

Date	: 18th August, 2008
Day	: Monday
Time	: 9.30 A.M.
Venue	: Ardra Convention Centre Kaanchan, 9, North Huzur Road Coimbatore- 641 018.
Book Closure Dates	: 08.08.2008 to 18.08.2008 (Both Days Inclusive)



## NOTICE

Notice is hereby given that the Fifty Second Annual General Meeting of the Members of the Company will be held on Monday the 18th day of August, 2008 at 9.30 A.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 audited Balance Sheet as at 31st March, 2008 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. L. G. Varadarajulu, who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Sri. P. Balasubramanian, who retires by rotation, and being eligible, offers himself for reappointment.
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** Sri. R. Vidhya Shankar, who was appointed as an 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 his 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 an Ordinary Resolution.

**"RESOLVED THAT** Sri. P. Prabakaran, 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 his candidature, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

**"RESOLVED that** in accordance with the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") read with Schedule XIII of the Act, the Company hereby approves the appointment and terms of remuneration of Sri. P. Prabakaran as the Executive Director of the Company for a period of Three (3) years w.e.f. 01-06-2008, upon the terms and conditions, including the remuneration to be paid in the event of inadequacy of profits in any financial year, as set out in the Explanatory Statement annexed to the Notice convening this meeting, with liberty to the Directors to alter and vary the terms and conditions of the said appointment in such manner as may be agreed to between the Board and Sri. P. Prabakaran."

9. To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution.

**"RESOLVED THAT** consent of the Company be and hereby is accorded under the provisions of Section 314(1) and other applicable provisions, if any, of the Companies Act, 1956, to appoint Sri. V. Rajvirdhan, who is a relative of Sri. B. Vijayakumar, Managing Director, and Smt. Rajsri Vijayakumar, Director of the Company for holding and continuing to hold an office or place of profit as an employee of the Company, with effect from 1st June, 2008 as Executive Trainee on a consolidated salary of Rs.25,000/- per month including all perquisites, allowances and benefits payable to other employees of his Grade.





## EXPLANATORY STATEMENT

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

### Item No.6

Sri. R. Vidhya Shankar was co-opted as an Additional Director of the Company with effect from 30-05-2008. Pursuant to Section 260 of the Companies Act, 1956 ("the Act"), Sri. R. Vidhya Shankar holds office of Director upto the date of 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 Sri. R. Vidhya Shankar for the Office of the Director under the provisions of Section 257 of the Companies Act, 1956.

None of the Directors except Sri. R. Vidhya Shankar is interested in the resolution to the extent of his appointment.

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

### Item No.7

Sri. P. Prabakaran was co-opted as an Additional Director of the Company with effect from 30-05-2008. Pursuant to Section 260 of the Companies Act, 1956 ("the Act"), Sri P. Prabakaran holds office of Director upto the date of 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 Sri. P. Prabakaran for the Office of the Director under the provision of Section 257 of the Companies Act, 1956.

None of the Directors except Sri. P. Prabakaran is interested in the resolution to the extent of his appointment.

The Board recommends the resolution set forth in Item No.7 for the approval of the members.

### Item No.8

Your Directors at their meeting held on May 30th, 2008 have subject to the Shareholders approval and provisions of the Articles of Association of the Company have appointed Sri. P. Prabakaran as Executive Director for a period of 3 years w.e.f. 01-06-2008 on the remuneration, recommended by the Remuneration Committee of the Board.

The remuneration payable to and the terms of appointment of Sri. P. Prabakaran during the tenure of his appointment for a period of 3 years will comprise salary, allowances and perquisites, the aggregate monetary value of such salary, allowances and perquisites being limited to 24 lakhs per annum.

The perquisites and allowances payable to Sri. P. Prabakaran subject to aforesaid limits will include accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance together with reimbursement of expenses or allowances for utilization of gas, electricity, water, furnishing and repairs, medical reimbursement, leave travel concession for self and his dependant family member(s) club fee (not including admission fee), medical insurance, the Company's contribution to Provident Fund, Superannuation Fund, Gratuity and such other perquisites and / or allowances, within the amount specified above. The said perquisites and allowances shall be evaluated, wherever applicable, as per the Income-tax Act, 1961 or any rules thereunder (including any statutory modification(s) or re-enactment thereof, for the time being in force).

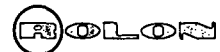
The terms and conditions set out for appointment and payment of remuneration herein and / or in the agreement may be altered and varied from time to time by the Board as it may, at its discretion, deem fit within the overall ceiling fixed herein.

In case of loss or inadequacy of profits in any Financial Year, the above Salary & Perquisites be treated as the minimum remuneration payable to the Executive Director, since the same is within the limits prescribed under Schedule XIII of the Companies Act 1956.

This may be treated as an abstract of the Terms of Contract / Agreement between the Company and Sri. P. Prabakaran pursuant to Section 302 of the Act.

None of the Directors except Sri. P. Prabakaran is interested in the resolution to the extent of his appointment.

The Board recommends the resolution set forth in Item No.8 for the approval of the members.



## Item No. 9

Sri. V. Rajvirdhan has been appointed as Executive Trainee of Fine Blanking Division of the Company at Pongalur w.e.f 01.06.2008 is a relative of Sri. B. Vijayakumar, Managing Director and Smt. Rajsri Vijayakumar, Director of the Company. Sri. V. Rajvirdhan to hold and continue to hold an office or place of profit as Executive Trainee in terms and conditions as set out in the Item No. 9 requires the consent of the members in terms of Section 314 of the Companies Act, 1956.

Sri. B. Vijayakumar, Managing Director and Smt. Rajsri Vijayakumar, Director of the Company may be deemed to be concerned or interested in the resolution.

The Board recommends the resolution set forth in Item No.9 for the approval of the members.

### 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 08-08-2008 to 18-08-2008 (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 en-cashed 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 en-cashed the dividend warrant(s) from the financial year ended 31-03-2001 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 2007-2008 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. Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.
9. 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.

Coimbatore  
30.05.2008

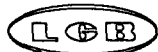
By Order of the Board,  
**M. Lakshmi Kanth Joshi**  
Company Secretary



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	Expertise	Other Directorships held	Committee Membership
1.	Sri. L.G. Varadarajulu	DAE	More than 52 yrs experience as an Industrialist	Elgi Tread (India) Ltd. Elgi Rubber Products Ltd. Elgi Aviation Tyres Ltd. Elgi Equipments Ltd. LRG Technologies (P) Ltd. Elgi Tread (Kenya) Ltd, Kenya. Elgi Tread (Mauritius) Ltd, Mauritius. Elgi Tread Lanka (P) Ltd, Sri Lanka. Elgi Tread Do Brazil Industria -Brazil. Elgi Tread (Bangladesh) Ltd, Bangladesh.	- Nil -
2.	Sri. P. Balasubramanian	B.S.,	More than 23 yrs experience in business	- Nil -	- Nil -
3.	Sri. R. Vidhya Shankar	B.Com., B.L.,	More than 15 yrs experience in the Advocate Profession	Pricol Limited.	Member of Audit Committee in Pricol Limited
4.	Sri. P. Prabakaran	B.E.,	More than 20 years experience in Business	LGB Rolon Chain Ltd LGB Fine Blank Limited Veridis Tech India Private Ltd Silent Chain India Private Ltd	- Nil -





## DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 52nd Annual Report of your Company together with the audited accounts for the year ended 31st March, 2008.

### FINANCIAL RESULTS:

The performance of the Company for the financial year ended March 31, 2008 is summarized below :

Particulars	31-03-2008 (Rs. in Lakhs)	31-03-2007 (Rs. in Lakhs)
Profit before Interest, Depreciation & Tax	7507.40	8434.26
Less:		
Interest	2807.60	2802.22
Depreciation	2894.55	2515.75
Profit Before Tax	1805.25	3116.29
Less : Provisions for Taxation		
Current Income Tax	445.00	675.00
Deferred Tax	(174.91)	96.78
Fringe Benefit Tax	49.00	48.50
Profit After Tax	1486.16	2296.01
Add : Balance brought forward	2988.34	1575.51
Available for appropriation	4474.50	3871.52
APPROPRIATIONS :		
1. Proposed Dividend on Equity Shares	274.68	420.70
2. Tax on Dividend	46.68	71.50
3. Transfer to General Reserves	1000.00	390.98
4. Balance carried over	3153.14	2988.34
	4474.50	3871.52

### DIVIDEND

The Company's dividend policy is based on the need to balance the twin objectives of appropriately rewarding the shareholders with cash dividend and of conserving resources to meet the Company's investment needs.

Your Directors recommend a dividend of 35% on the paid up capital of the Company. The total outflow on account of dividend, subject to approval of members in the general meeting, will be Rs.321.36 Lakhs, including dividend distribution tax.

### PERFORMANCE OF THE COMPANY

During the year under review, the Company registered a turnover of Rs.61661.48 Lakhs as against Rs.53840.99 Lakhs in the previous year. During the year the raw material prices continued to maintain an upward trend

especially steel, weakening dollar has hurt export earnings and 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.

### DEMERGER

During the year, upon your approval, the Forging Divisions of the Company was hived off / demerged into separate Company namely, LGB Forge Limited w.e.f. April 01, 2008 (the appointed date). Hon'ble High Courts of Madras had sanctioned the Scheme vide their Orders dated April 21, 2008.

### REDUCTION OF CAPITAL

During the year the Share Capital of your Company has been reduced from 8,41,39,034 Equity Shares of



Re.1/- to 7,84,81,034 Equity Shares of Re.1/- by cancellation of 56,58,000 equity shares of Re.1/- each amounting to Rs.56,58,000 in the Company standing in the name of Sri. B. Vijayakumar, Sri. P.S.Balasubramanian & Sri. S. Sivakumar Trustees of LGB Shareholding Trust, which represents the own capital of the Company pursuant to the Order of the Hon'ble High Court of Madras dated 12.11.2007.

#### **VOLUNTARY DE- LISTING OF SECURITIES OF COMPANY**

In the last Annual General Meeting of the Company, Shareholders of the Company had approved voluntary delisting of Securities of the Company from the Stock Exchanges at Madras and Coimbatore. In pursuance to the above, the Company applied for voluntary delisting of its Securities from these two stock exchanges. The Madras Stock Exchange Limited, Chennai, have already de-listed the Company's Securities with effect from 21<sup>st</sup> May 2008. Application for voluntary delisting at Coimbatore Stock Exchange Limited is being followed up.

#### **LISTING**

The Securities of your Company are listed at National Stock Exchange of India Limited and Bombay Stock Exchange Limited, and pursuant to Clause 38 of the Listing Agreement, the Annual Listing fees for the year 2008-2009 have been paid to them well before the due date i.e. April 30, 2008. The Company has also paid the annual custodian fees in respect of Securities held in dematerialized mode to NSDL & CDSL for the year 2008-09.

#### **FIXED DEPOSITS**

The amount of fixed deposits available with the Company as on 31<sup>st</sup> March, 2008 is Rs.223.91 Lakhs. As on 31.03.2008, 5 Deposits amounting to Rs.3.05 lakhs has become due for payment and the same was claimed and settled.

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**

In accordance with the provisions of the Companies Act, 1956, Sri. L.G. Varadarajulu and Sri. P. Balasubramanian are liable to retire by rotation and are eligible for re-appointment.

Sri. R. Vidhya Shankar joined the Board as Additional Director on 30<sup>th</sup> May 2008 and will hold office till the ensuing Annual General Meeting.

Sri. P. Prabakaran, Chief Operating Officer (Transmission Division) was appointed as an Additional Director and subsequently as Executive Director for a period of 3 years, with effect from 01-06-2008. In accordance with the provisions of the Companies Act, 1956, Sri. P. Prabakaran, in his capacity as Additional Director, will cease to hold office at the forthcoming Annual General Meeting and is eligible for appointment. Attention of the Members is invited to the relevant items in the Notice of the Annual General Meeting and the Explanatory Statement thereto.

#### **CORPORATE GOVERNANCE**

Report on Corporate Governance and Management Discussion and Analysis Report along with Certificate of the Practicing Company Secretary pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges have been included in this Report. Your Company has been practicing the principles of good Corporate Governance over the years. The Board of Directors have laid down a Code of Conduct to be followed by all the Directors and members of Senior Management of your Company. The Board of Directors supports the broad principles of Corporate Governance. In addition to the basic governance issues, the Board also lays strong emphasis on transparency, accountability and integrity.

#### **TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND**

In terms of Section 205 C of the Companies Act, 1956, an amount of Rs.0.77 Lakh being unclaimed dividend was transferred during the year to the Investor Education and Protection Fund established by the Central Government.

#### **AUDITORS**

Messrs. Deloitte Haskins & Sells, Chartered Accountants, Coimbatore, the Auditors of the Company retire at the conclusion of the forthcoming Annual General Meeting, and being eligible, offer themselves for reappointment. The Company has received a certificate from the auditors to the effect that their re-appointment, if made, would be in accordance with Section 224(1B) of the Companies Act, 1956.