

L.G. BALAKRISHNAN & BROS LIMITED COIMBATORE



**53rd
ANNUAL REPORT
2008 - 2009**



L.G. BALAKRISHNAN & BROS LIMITED

Corporate Information

BOARD OF DIRECTORS

Sri. B. Vijayakumar Chairman cum Managing Director
 Sri. P. Prabakaran Executive Director
 Sri. C. Nachiappan
 Sri. P. Balasubramanian
 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

Axis Bank Limited
 BNP Paribas
 Corporation Bank
 HDFC Bank Limited
 IndusInd Bank Limited
 ICICI Bank Limited
 IDBI Bank Limited
 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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53rd ANNUAL GENERAL MEETING

Date	: 10th July, 2009
Day	: Friday
Time	: 10.00 A.M.
Venue	: Ardra Convention Centre Kaanchan, 9, North Huzur Road Coimbatore- 641 018.
Book Closure Dates	: 01.07.2009 to 10.07.2009 (Both Days Inclusive)



NOTICE

Notice is hereby given that the Fifty Third Annual General Meeting of the Members of the Company will be held on Friday the 10th day of July, 2009 at 10.00 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 Balance Sheet as at 31st March, 2009 and the Profit and Loss Account for the year ended on that date and the Report of the Directors and the Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in the place of Sri. C. Nachiappan, who retires by rotation, and being eligible, opts for retirement due to age factor.
4. To appoint a Director in the place of Sri. P. Shanmugasundaram, 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 consent be and is hereby accorded under Section 269, 198 & 309 read with Schedule XIII, and other applicable provisions if any of the Companies Act, 1956, for the re-appointment of Mr. B. Vijayakumar Managing Director of the Company for a period of 5 years from 01-01-2010.

RESOLVED FURTHER that in accordance with the provisions of Section 198, 309 read with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956, and subject to such other approvals as may be necessary, Mr. B. Vijayakumar Managing Director be paid an overall remuneration by way of

1. **Salary : Rs. 3,00,000/- per month**, with such Annual increment, but not exceeding 20% as the Board at its discretion may decide.
2. **Commission:** An amount equal to 2% of the Net Profits of the Company in each financial year computed in accordance with Section 349 of the Companies Act, 1956.
3. **Other Benefits.**
Contribution to Provident fund as per the rules of the Company and this shall not be included in computation of ceiling on remuneration.
4. **Minimum Remuneration:** The salary and commission shall be subject to the overall ceiling of 5% of the Net Profits of the Company. However, if the Company has no Profits OR its Profits are inadequate in any financial year, the Company may pay remuneration to the Managing Director by way of Salary and contribution to Provident Fund as provided hereinabove.
5. The Managing Director shall not be entitled to any Sitting Fee for attending the Meeting of the Board of Directors OR a Committee thereof.

“**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to alter or vary the component and elements of remuneration payable to Mr. B. Vijayakumar Managing Director in such a manner as agreed to between the Board of Directors and Mr. B. Vijayakumar within the overall limits as set out above.”

FURTHER RESOLVED THAT during the tenure of his appointment as Managing Director, Mr. B. Vijayakumar shall also be the Chairman of the Board of Directors of the Company and as such, he shall be an Executive Chairman.

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

Item No.6

Mr. B Vijayakumar, Managing Director of the Company was appointed for a period of 5 years from 01-01-2005 and his appointment is due for renewal on 31-12-2009.

The Company has shown excellent all-round progress in terms of business growth, operations and profitability during the tenure of Mr. B. Vijayakumar. He has steered



the fortunes of the Company and move forward on the path of expansions and diversification. In recognition of his contribution in the Company, the Board of Directors at its meeting held on 22-05-2009 and as per recommendation of the Remuneration Committee at the meeting held on 20-05-2009 approved the re-appointment of Mr. B. Vijayakumar as Managing Director for a period of 5 years from 01-01-2010. They have also approved the remuneration as proposed in the resolution which is in line with schedule XIII of the Companies Act, 1956.

The draft agreement which has been approved by the Board of Directors for being entered into with the Managing Director by the Company is available for inspection by the members of the Company at the Registered Office of the Company between 11.00 AM and 1.00 PM on any working day except Saturday till the date of Annual General Meeting.

The re-appointment of the Managing Director and the payment of remuneration is in conformity with schedule XIII of the Companies Act, 1956.

No director other than Sri. B. Vijayakumar, Managing Director, and Smt. Rajsri Vijayakumar, Director is, in any way, concerned or interested in this resolution.

The particulars set out above can also be treated as memorandum required to be circulated to every member under Section 302 of the Companies Act, 1956.

The Board recommends the resolution for your approval.

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. Pursuant to Clause 49 of the Listing Agreement additional information on Directors seeking appointment / re-appointment at the annual general meeting is provided in the annual report.

4. The register of Members and the Share Transfer Books of the Company will remain closed from 01-07-2009 to 10-07-2009 (both days inclusive).
5. Members holding shares in physical form are requested to notify change of address and change in bank mandate if any, to M/s. Cameo Corporate Services Limited, "Subramanian Building" No.1, Club House Road, Chennai - 600 002, the Registrar and Share Transfer Agents and those who hold shares in dematerialized form are requested to notify their Depository Participants (DP) any change in address and/or bank mandate.
6. 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 31.03.2002 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 dividends. 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 dividend.
7. 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 2008-2009 should be lodged with the Registrar & Transfer Agents of our Company, M/s. Cameo Corporate Services Limited, Chennai.
8. 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.
 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.

Coimbatore
22.05.2009

By Order of the Board,
M. LAKSHMI KANTH JOSHI
Company Secretary





Details of Directors seeking Appointment/ and re-appointment at the forthcoming Annual General Meeting (in pursuance of Clause 49 of the Listing Agreement)

Name	Sri. B. Vijayakumar	Sri. P. Shanmugasundaram
Date of Birth	22.01.1953	10.08.1948
Date of Joining the Board	25.11.1986	24.05.2001
Qualification	B.Sc.,	B.Com., LLB., FCA.,
Expertise in functional areas	More than 40 years experience as Industrialist and more than 20 years as the Managing Director of the Company	Vast and rich experience in Finance, Accounts and Taxation
Shareholding in LGB	9955615	- NIL -
Other Directorship Held	LGB Forge Limited Super Spinning Mills Limited Elgi Equipments Limited LGB Auto Products Limited South Western Engineering India Limited LG Farm Products Limited Rolon Fine Blank Limited LGB Rolon Chain Limited LG Sports Limited Renold Chain India Private Limited LGB Fuel Systems Private Limited Super Speeds Private Limited Super Transports Private Limited BCW V Tech India Private Limited	Sabare International Limited LGB Forge Limited DSM Soft Private Limited
Other Committee Membership	Member of Audit Committee & Remuneration Committee of Super Spinning Mills Limited	Chairman of Audit Committee of 1. LGB Forge Limited 2. Sabare International Limited



DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure in presenting the 53rd Annual Report of your Company together with the audited accounts for the year ended 31st March, 2009.

FINANCIAL RESULTS:

The performance of the Company for the financial year ended March 31, 2009 is summarized below :

Particulars	31-03-2009 (Rs. in Lakhs)	31-03-2008 (Rs. in Lakhs)
Profit before Interest, Depreciation & Tax	5975.60	7507.40
Less:		
Interest	2469.35	2807.60
Depreciation	2069.10	2894.55
Profit Before Tax and Extra Ordinary items	1437.15	1805.25
Add : Exceptional Items	3064.47	-
Profit Before Tax	4501.62	1805.25
Less : Provisions for Taxation		
Current Income Tax	710.00	445.00
Deferred Tax (Credit) / Change	(162.70)	(174.91)
Fringe Benefit Tax	40.00	49.00
Profit After Tax	3914.32	1486.16
Add : Balance brought forward	3153.14	2988.34
Available for appropriation	7067.46	4474.50
APPROPRIATIONS :		
1. Proposed Dividend on Equity Shares	470.89	274.68
2. Tax on Dividend	80.03	46.68
3. Transfer to General Reserves	5376.81	1000.00
4. Balance carried over	1139.73	3153.14
	7067.46	4474.50

PERFORMANCE AND OPERATIONS REVIEW

During the year under review, the Company registered a turnover of Rs.56025.21 Lakhs as against Rs.61661.48 Lakhs in the previous year.

During the year there has been a Global recession coupled with high inflation in India and rocketing steel and commodity prices. Our customers also have been subject to high input costs which affected their profitability and we therefore were not able to pass on such cost to the end customers. This has affected not only their profitability but also our profitability since we could not pass on such increases to them.

The high prices of steel along with scarcity in the second quarter of 2008 encouraged the purchase of excess

quantity in advance of our raw material requirements. In January 2009 when the steel prices regularized and dropped to pre April levels, the company was forced to revise its product prices downwards which again severely bit into the profitability.

All through this your company has been pursuing cost reductions and efficiency improvements which have helped the company to show the current profitability in these adverse economic conditions.

Your Company's efforts to maintain operational efficiencies continue and your Company is leveraging technology at the work place and accelerating the pace of customer innovation to create its next growth wave both on the OE and After- Market fronts.



DIVIDEND

The Board of Directors recommend a Dividend of Re.0.25 per Equity Share i.e. 25% of the paid up capital of the Company for the year ended 31st March, 2009. In addition to the aforesaid Dividend a Special Dividend of Re.0.35 per Equity Share i.e. 35% of the paid up capital of the Company has been recommended to be paid from the profits on the sale of Industrial Chain Division of the Company.

The total Dividend would therefore be Re.0.60 per Equity Share i.e. 60% of the paid up capital of the Company and the said Dividend will be paid subject to the approval of the shareholders in the ensuing annual general meeting.

The Registrar of Members and the Share Transfer Books shall remain closed from 1st July 2009 to 10th July 2009 both days inclusive for the purpose of Annual General Meeting and Payment of Dividend.

DISPOSAL OF INDUSTRIAL CHAIN DIVISION

In pursuance of the authority given by the Shareholders by Postal Ballot under Section 293(1)(a) of the Companies Act, 1956, the Directors finalized the transfer of the Company Industrial Chain Divisions including the manufacturing plant at Dindigul District to Renold Chain India Private Limited for a consideration of Rs. 5758.15 Lakhs. The net profit of Rs. 3064.47 Lakhs due to this sale is reflected in the exceptional item shown in the Profit and Loss Account.

JOINT VENTURE WITH RENOLD CHAIN INDIA PRIVATE LIMITED

During the year, your Company had incorporated a joint venture Company namely Renold Chain India Private Limited under the shareholders agreement entered into with Renold Plc, a United Kingdom based Company. The joint venture Company will manufacture and market Industrial related Chains the new entity which has been set up with an equity capital of Rs. 25 Crores through 75:25 investments by Renold and LGB and your Directors are confident that this joint venture will be successful in the years to come.

LISTING

The Securities of your Company are listed with the 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 2009-2010 have been paid to them well before the due date i.e. April 30, 2009. The Company has also paid the annual custodian fees to NSDL & CDSL for the Securities of the Company held in dematerialized mode with them for the year 2009-10.

PUBLIC DEPOSITS:

The amount of fixed deposits available with the Company as on 31st March, 2009 is Rs.97.02 Lakhs. As on 31.03.2009, 7 Deposits amounting to Rs.3.86 Lakhs has become due for payment that has not been claimed or renewed. These Depositors were approached for instructions regarding renewal / re-payment. Subsequently all the matured deposits 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 scheme.

DIRECTORS:

During the year Sri. L.G. Varadarajulu, Chairman who had been associated with the Company for more than 52 years, retired from services with the Company

We are grateful to Sri. L.G. Varadarajulu for his tremendous contributions to the Company over the years. He was instrumental in finding and guiding the Company from its inception and in building the Company's strong foundation and respect within the industry.

Again, the board would like to thank him for his long and dedicated service and wish him many happy years of retirement.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Sri. C. Nachiappan and Sri. P. Shanmugasundaram are liable to retire by rotation and are eligible for re-appointment.

CORPORATE GOVERNANCE

As per clause 49 of the Listing Agreement with the Stock Exchanges, a report on Corporate Governance together with the Auditors Certificate regarding compliance of the conditions of corporate governance, Management Discussion and Analysis statement forms part of the Annual report.



TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

In terms of Section 205 C of the Companies Act, 1956, an amount of Rs.1,62,309.50 being unclaimed dividend (2000-01) 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, 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 letter 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. The Board recommends their re-appointment.

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.

INDUSTRIAL RELATIONS:

Industrial relations have remained cordial throughout the year in the Company.

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

The information as prescribed under Section 217 (1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of

Directors) Rules, 1988, is given in a separate annexure, which forms a part of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT:

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

- ❖ that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ❖ 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, 2009 and of the profit of the Company for the year ended on that date.
- ❖ that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- ❖ that the annual accounts have been prepared on going concern basis.

ACKNOWLEDGEMENT:

We thank our customers, suppliers, investors and other stake holders for their continued support. We also gratefully acknowledge the continued assistance and co-operation extended by Government authorities, financial institutions and banks to the Company. The Board expresses its appreciation for the dedication and commitment extended by its employees at all levels and their contribution to the growth and progress of the Company.

Coimbatore
22.05.2009

By Order of the Board
B. VIJAYAKUMAR
Chairman Cum Managing Director