

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



**56th
ANNUAL REPORT
2011 - 2012**

L.G. BALAKRISHNAN & BROS LIMITED

Corporate Informations

BOARD OF DIRECTORS

Sri. B. Vijayakumar Chairman cum Managing Director
Sri. P. Prabakaran Deputy Managing Director
Sri. P. Balasubramanian
Sri. S. Sivakumar
Sri. V. Govindarajulu
Sri. P. Shanmugasundaram
Smt. Rajsri Vijayakumar
Sri. V. Rajvirdhan
Dr. T. Balaji
Sri. R. Vidhya Shankar

CHIEF FINANCIAL OFFICER

Sri. N. Rengaraj

GENERAL MANAGER CUM COMPANY SECRETARY

Sri. M. Lakshmi Kanth Joshi

AUDITORS

M/s. Deloitte Haskins & Sells
Chartered Accountants
Shanmuga Mandram
41, Race Course, Coimbatore 641 018
Phone No. 0422 - 24392801

COST AUDITOR

Dr. G.L. Sankaran

BANKERS

Andhra Bank
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.
Phone No. 044 - 28460390

REGISTERED OFFICE

6/16/13, Krishnarayapuram Road,
Ganapathy, Coimbatore - 641 006.
Phone No. 0422 - 2532325

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56th ANNUAL GENERAL MEETING

Date	: 9th July, 2012
Day	: Monday
Time	: 10.45 A.M.
Venue	: Ardra Convention Centre Kaanchan, 9, North Huzur Road Coimbatore- 641 018.
Book Closure Dates	: 02.07.2012 to 09.07.2012 (Both Days Inclusive)

**MEMBERS ARE REQUESTED TO BRING THEIR COPY OF THE
ANNUAL REPORT TO THE ANNUAL GENERAL MEETING.**

NOTICE

Notice is hereby given that the Fifty Sixth Annual General Meeting of the Members of the Company will be held on Monday the 09th day of July, 2012 at 10.45 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, 2012 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 the equity shares.
3. To appoint a Director in the place of Smt. Rajsri Vijayakumar, who retires by rotation, and being eligible, offers herself 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 appoint a Director in the place of Sri. P. Shanmugasundaram, who retires by rotation, and being eligible, offers himself for reappointment.
6. 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.

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 Share Transfer Books of the Company will be closed from 02.07.2012 to 09.07.2012 (both days inclusive) for ascertaining the names of the shareholders to whom the dividend, if declared at the Annual General Meeting, is payable. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by Depositories for this purpose.

5. Reserve Bank of India has introduced Electronic Clearing Service (NECS) for facilitating crediting of dividend directly to the shareholder's bank accounts. This facility eliminates loss of dividend warrants sent by post due to pilferage in transit, delay in receipt of dividend warrants and ensures quick credit of the dividend.

Members holding shares in dematerialized form are requested to ensure that addresses furnished by them to their respective Depository Participants are correct and up-to-date, so that the correspondence from company could reach them promptly. However, the Members holding shares in physical form may notify the same to M/s.Cameo Corporate Services Limited, "Subramanian Building" No.1, Club House Road, Chennai - 600 002 the Registrar and Share Transfer Agent of the Company.

6. Pursuant to section 205A and 205C of the Companies Act, 1956, the dividend which remained unencashed / unclaimed for a period of seven years from the date of transfer to the unpaid dividend account is required to be transferred to the "Investor Education and Protection Fund" established by the Central Government. According to the relevant provisions of the Companies Act, 1956, as amended, no claim shall lie against the said fund or the Company for the amount of unclaimed dividend / debenture interest so transferred to the said Fund. Members who have not encashed the dividend warrant(s) so far, since the financial year 2004-2005 (final Dividend), are requested to send their claim immediately to the Company / Registrar for issue of pay order / demand draft in lieu thereof.
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. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat account(s). Members holding shares in physical form can submit their PAN details to the Registrar and Share Transfer Agent.
9. The Ministry of Corporate Affairs has taken a Green Initiative in Corporate Governance by issuing circulars allowing paperless compliances by Companies through electronic mode. The Shareholders can now receive various notices and documents through electronic mode by registering their e-mail addresses with the Company. Shareholders who have not registered their e-mail address with the Company can now register the same by submitting duly filled in - E-Communication Registration Form enclosed at the end of this report. The Members holding shares in electronic form are requested to register their email addresses with their Depository Participants Only.
- Even after registering for E-Communication the shareholders of the Company are entitled to receive such communication in physical form, upon request.
10. In case you intend to raise any queries in the forthcoming Annual General Meeting, you are requested to please forward the same at least 10 days before the date of the Meeting to Mr. M. Lakshmi Kanth Joshi, General Manager Cum Company Secretary at the following address so that the same may be attended appropriately to your entire satisfaction.

Coimbatore
28.04.2012

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

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

Name	Smt. Rajsri Vijayakumar	Sri. P. Balasubramanian	Sri. P. Shanmugasundaram
Date of Birth	11.09.1981	29.09.1937	10.08.1948
Date of Joining the Board	30.10.2006	16.02.1983	24.05.2001
Qualification	B B A.,	B.S.	B.Com., LLB., FCA.,
Expertise in functional areas	More than 11 years experience in General Administration.	More than 26 years experience in business	Vast and rich experience in Finance, Accounts and Taxation
Shareholding in LGB	444788	1000	NIL
Other Directorships Held	Elgi Automotive Services P Ltd	NIL	Sabare International Ltd
	L.G.B. Auto Products P Ltd		LGB Forge Ltd
	LG Farm Products P Ltd		DSM Soft P Ltd
	Rolon Fine Blank Ltd		
	LGB Rolon Chain Ltd		
	Super Transports P Ltd		
	Silent Chain India P Ltd		
Other Committee Membership	NIL	NIL	Chairman of Audit Committee
			1. LGB Forge Ltd
			2. Sabare International Ltd

DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure in presenting the Fifty Sixth Annual Report of your Company together with the audited accounts for the year ended 31st March, 2012.

FINANCIAL RESULTS:

The summary of the financial performance of the company for the year ended 31st March, 2012 as compared to the previous year is as below

Particulars	31-03-2012 (₹ in Lakhs)	31-03-2011 (₹ in Lakhs)
Gross Income	90,691.64	71,170.88
Profit before Interest, Depreciation & Tax	10,392.13	8,794.58
Less : Interest	1,743.64	1,520.42
Depreciation	2,832.30	2,544.57
PROFIT BEFORE TAX	5,816.19	4,729.59
Less : Provisions for Taxation		
Current Income Tax/MAT	1,559.54	734.94
Deferred Tax(Credit/Charge)	(95.32)	207.04
Income Tax related to earlier year	-	(792.90)
PROFIT AFTER TAX	4,351.97	4,580.51
Add : Balance brought forward	2,156.20	1,487.83
AVAILABLE FOR APPROPRIATION	6,508.17	6,068.34
APPROPRIATIONS:		
1. Proposed Dividend on Equity Shares	863.30	784.81
2. Tax on Dividend	140.05	127.32
3. Transfer to General Reserves	2,500.00	3,000.00
4. Balance carried over	3,004.82	2,156.20
Total	6,508.17	6,068.33

DIVIDEND

Your Directors are pleased to recommend a dividend @ 110 per cent i.e. ₹ 11/- per Equity Share of ₹ 10/- each for the year ended 31st March, 2012, payable to those Shareholders whose names appear in the Register of Members as on the Book Closure Date, subject to the approval of the shareholders at the ensuing Annual General Meeting.

The total cash outgo for this purpose would be ₹ 1003.35 Lakhs (Previous Year ₹ 912.13 Lakhs), which include Tax on Dividend amounting to ₹ 140.05 Lakhs (Previous year ₹ 127.32 Lakhs)

PERFORMANCE AND OPERATIONS

The Company has been showing consistently good financial performance both in terms of turnover and profitability.

During the year, gross turnover of the Company increased by 27.43 % from ₹ 71170.88 Lakhs in year 2010 - 11 to ₹ 90691.64 Lakhs in the year 2011-12. Profit before tax also went up by 22.97% from ₹ 4729.58 Lakhs in 2010 - 11 to ₹ 5816.19 Lakhs in 2011 - 12.

WHOLLY OWNED SUBSIDIARY COMPANY

In terms of Section 4(1)(b) of the Companies Act, 1956, M/s. BCW V Tech India Private Limited becomes a wholly owned subsidiary of the Company in which it holds 100% of the Equity Shares as on 31st March, 2012.

Pursuant to Section 212(8) of the Companies Act, 1956, the Government of India vide its Circular No. 2/2011 dated 08.02.2011 granted general exemption under Section 212(8) of the Companies Act, 1956, from attaching the Balance Sheet and Profit & Loss Account and other

documents of its Subsidiaries and hence the same have not been attached to your Company's Accounts for the year ended 31st March, 2012.

However these documents will be made available upon request to any investor of the Company and shall be kept for inspection at the Registered Office of the Company.

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 2012-2013 have been paid to them well before the due date i.e. April 30, 2012. 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 2012-2013.

PUBLIC DEPOSITS

The amount of fixed deposits available with the Company as on 31st March 2012 is ₹ 1101.40 Lakhs.

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, and the Articles of Association of the Company, Smt. Rajsri Vijayakumar, Sri. P. Balasubramanian and Sri. P. Shanmugasundaram are liable to retire by rotation and are eligible for re-appointment.

A brief resume, expertise, shareholding in the Company and details of other Directorships of these Directors as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange forms part of the Notice of ensuing Annual General Meeting.

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 INVESTORS EDUCATION AND PROTECTION FUND

In terms of Section 205C of the Companies Act, 1956, an amount of ₹ 3.49 Lakhs being unclaimed interim dividend (2004-05) was transferred during the year to the Investors Education and Protection Fund established by the Central Government.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements, your Directors provide the Audited Consolidated Financial Statements in the Annual Report.

AUDITORS

M/s. Deloitte Haskins & Sells, Chartered Accountants, Coimbatore, Statutory Auditors of the Company, retire at the ensuing Annual General Meeting. They have confirmed their eligibility and willingness for re-appointment. The Company has received a certificate from the Statutory auditors to the effect that their re-appointment, if made, would be within the limits prescribed under section 224(1B) of the Companies Act, 1956.

COST ACCOUNTING RECORDS

Pursuant to Section 233B of the Companies Act, 1956, the Central Government has prescribed Cost Audit for the Company. Based on recommendations of the audit committee Dr. G.L. Sankaran, Cost Accountant, Coimbatore have been appointed as Cost Auditor for 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.

INDUSTRIAL RELATIONS

Employee relations continued to be cordial during the year. The Company continued its thrust on Human Resource Development. The Board wishes to place on record its sincere appreciation to all the employees in the Company for their sustained efforts and immense contribution to

the high level of performance and growth of the business during the year.

ADDITIONAL DISCLOSURES

Management Discussion and Analysis Report, Corporate Governance Report, Segment Report and Related Party Disclosures provided elsewhere in the Annual Report forms a part of this Report as required under the Listing Agreement entered into with the Stock Exchanges

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 Annual 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, 2012 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

Your Directors acknowledge with thanks all our customers, suppliers and investors 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 and their contribution to the growth and progress of the Company.

Coimbatore
28.04.2012

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

ANNEXURE TO DIRECTORS' REPORT

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

A. CONSERVATION OF ENERGY

Furnishing of this information in the prescribed format in Form - A is not applicable to the Company. However the Company is making continuous efforts to conserve and optimize energy wherever practicable by economizing on fuel and power

FORM B

1. RESEARCH & DEVELOPMENT	
a) Specific areas in which R & D is carried out by the company	a) Timing Chain-Drive train system. b) Friction Reduction
b) Benefits derived as a result of the above R & D	a) New Business b) Cost Reduction
c) Future plan of Action :b)	To Develop :
	a) New application of Drive System b) Design of parts to reduce friction and production process for energy efficient manufacturing
d) Expenditure on R & D	
i) Capital	₹ 65.75 Lakhs
ii) Recurring	₹ 201.19 Lakhs
iii) Total R & D Expenditure	₹ 266.94 Lakhs
iv) Total R & D expenditure as a % to total Turnover.	0.29%
2. TECHNOLOGY, ABSORPTION, ADAPTATION AND INNOVATION	
a) Efforts, in brief, made towards technology absorption, adaptation and innovation	a) Continuous interaction with chain consultant b) Product benchmarking c) Training
b) Benefits derived as a results of the above efforts e.g., Product improvement, cost reduction, import substitution etc.	a) Improved profitability by reducing cost and increased customers base by adding new products.
c) In case of Imported Technology during the last 5 Years reckoned from the beginning of the financial year, following information may be furnished.	
1) Technology Imported	Silent Chain technology for 4WD application
2) Year of Import	2009 - 2011
3) Has technology been fully absorbed	in the process
4) If not fully absorbed, areas where this has not taken place reasons therefore and future plan of action.	it is a continuous development
C. FOREIGN EXCHANGE EARNINGS AND OUTGO	
Foreign Exchange earned through Exports amount to	: ₹ 6235.66 Lakhs
Foreign Exchange used	: ₹ 10278.11 Lakhs

Coimbatore
28.04.2012

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENT

India is one of the most matured markets and with the huge population offers the automotive industry a lucrative and substantial market. The automation in the industry has also opened up a growing market for metal forming , with the Company's products seeing use in the transport industry.

OPPORTUNITIES

India's economic growth will present tremendous opportunities for growth in Automotive Segment. Demand for auto components is directly related to that for automobiles; hence, demand drivers for automobiles indirectly influence those for auto components.

Your Company has been strenuously working to ensure that this opportunity is converted into profitable growth by focusing on R&D activities – innovation, design, and engineering activities – to meet global quality standards and emerge as full-service providers to OEMs and the domestic after-market.

THREATS

Our Company has manufacturing centers all over India. Everywhere we have faced pressures due to (a) enormous power shortages (b) pricing pressures from OEMs, which in turn are entering into a phase of heightened competitive intensity (c) threat of rising raw material prices; (d) likely higher cost of funds consequent to hardening of interest rates; and (e) import from other low cost-locations. (f) Uncertainty arising from currency volatility. Such increases in the cost could reduce our profitability.

RISKS AND CONCERNS

The Company has put in place a risk management policy to identify the nature and magnitude of risk associated with the Company and to take steps for mitigating the impact of such risks. These are reviewed periodically and placed before the Board.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has adequate internal control systems to monitor internal business process, financial reporting and compliance with applicable laws. The Company periodically

reviews the adequacy and effectiveness of the control systems.

The Audit Committee at their meetings regularly reviews the significant observations of the compliance and other monitoring reports. The heads of various monitoring / operating cells and statutory auditors are invited to attend the Audit Committee meetings

HEALTH, SAFETY, SECURITY ENVIRONMENT

The Company already has in place its own Safety System. Regular training is imparted to the workers and staff at all levels. The increased focus on safety has resulted in improved safety records at all our Plants and thus has improved the working environment.

HUMAN RESOURCES / INDUSTRIAL RELATIONS

Employer - Employee relations continued to remain cordial during the year. Training and development of employees continue to be an area of prime importance. The devotion and commitment of our employees has enabled the Company to fulfill its targets and deadlines in time. The total number of people employed in the Company as on 31st March 2012 was 2457

RISK MANAGEMENT

Risk Management is an integral part of the business process, with the help of experts, the Company mapped the risks at the business processes and enterprise levels and evolved a risk management framework. Mitigative measures have been identified in respect of the latter. These would be periodically reviewed by the Board of Directors.

CAUTIONARY STATEMENT

The Management Discussion and Analysis Report contains forward looking statements based upon the data available with the Company, assumptions with regard to global economic conditions, the government policies etc. The Company cannot guarantee the accuracy of assumptions and perceived performance of the Company in future. Therefore, it is cautioned that the actual results may materially differ from those expressed or implied in the report.

Coimbatore
28.04.2012

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