

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



**57th  
ANNUAL REPORT  
2012 - 2013**

## L.G. BALAKRISHNAN & BROS LIMITED

### Corporate Information

#### 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

#### 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  
Yes Bank Limited

#### STATUTORY AUDITORS

M/s. Deloitte Haskins & Sells  
Chartered Accountants  
Shanmuga Mandram  
41 Race Course, Coimbatore 641018  
Phone No. 0422 - 4392801

#### COST AUDITOR

Dr. G.L. Sankaran  
82, EB Colony, Vadavalli, Coimbatore - 641 041  
Phone No. 0422 - 2400767

#### REGISTRAR AND SHARE TRANSFER AGENTS

M/s.Cameo Corporate Services Limited  
"Subramanian Building"  
No 1, Club House Road, Chennai- 600 002  
Phone No. 044 - 28460390

#### SECURITIES ARE LISTED

Bombay Stock Exchange Ltd.  
National Stock Exchange of India Ltd.

#### REGISTERED OFFICE

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

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### 57th ANNUAL GENERAL MEETING

Date	: 8th August, 2013
Day	: Thursday
Time	: 10.15 A.M.
Venue	: <b>Ardra Convention Centre</b> Kaanchan, 9, North Huzur Road Coimbatore- 641 018.
Book Closure Dates	: 01.08.2013 to 08.08.2013 (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 Seventh Annual General Meeting of the Members of the Company will be held on Thursday the 8<sup>th</sup> day of August 2013 at 10.15 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, 2013 and the Statement of Profit and Loss for the year ended on that date and the Report of the Directors and the Auditors thereon.
2. To confirm the Interim Dividend already paid and declare Final Dividend on the Equity Shares for the financial year ended 31st March, 2013.
3. To appoint a Director in the place of Sri. V. Govindarajulu, who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Sri. S. Sivakumar, who retires by rotation, and being eligible, offers himself for reappointment.
5. To appoint a Director in the place of Sri. R. Vidhya Shankar, 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 01.08.2013 to 08.08.2013, (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 2005-2006, are requested to send their claim immediately to the Company / Registrar for issue of pay order / demand draft in lieu thereof. The Company has been sending reminders to the concerned members to claim their Dividend amounts from the Company.
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.**

Coimbatore  
30.04.2013

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.

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

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

Name	Sri. V. Govindarajulu	Sri. S. Sivakumar	Sri. R. Vidhya Shankar
Director Identification No.	00016108	00016040	00002498
Date of Birth	08.07.1956	30.11.1952	25.03.1970
Nationality	Indian	Indian	Indian
Date of Appointment on the Board	29.06.1998	28.06.1996	30.05.2008
Relationship with other Director	None	None	None
Qualification	B.E.,	B.Com.,	B.Com., B.L.,
Expertise in functional areas	More than 27 years experience in sourcing and General Administration.	More than 29 years experience as an Industrialist	More than 20 years of experience in advocate profession
Shareholding in LGB	NIL	642	NIL
List of Directorships held in other Companies	NIL	BCW V Tech India P Ltd LG Sports Ltd South Western Engineering India Ltd Rolon Fine Blank Ltd LGB Rolon Chain Ltd Elgi Automotive Services P Ltd L.G.B Auto Products P Ltd LGB Fuel Systems P Ltd Ishwarya Lakshmi Finance P Ltd	Pricol Ltd
Chairman/Member Committees of the Boards of other companies in which he is Director	NIL	NIL	Chairman of Audit Committee & Remuneration Committee Pricol Ltd

## DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Fifty Seventh Annual Report of your Company together with the audited accounts for the year ended 31<sup>st</sup> March, 2013.

### FINANCIAL RESULTS:

The summary of the financial performance of the Company for the year ended 31<sup>st</sup> March, 2013 as compared to the previous year is as below

Particulars	31-03-2013 (₹ in Lakhs)	31-03-2012 (₹ in Lakhs)
<b>Gross Income</b>	<b>94,062.78</b>	<b>90,691.64</b>
Profit before Interest, Depreciation & Tax	9,379.93	10,392.13
Less : Interest	2,247.52	1,743.64
Depreciation	2,911.22	2,832.30
<b>PROFIT BEFORE TAX</b>	<b>4,221.19</b>	<b>5,816.19</b>
Less : Provisions for Taxation		
Current Income Tax/MAT	796.09	1,559.54
Deferred Tax(Credit/Charge)	57.37	(95.32)
<b>PROFIT AFTER TAX</b>	<b>3,367.73</b>	<b>4,351.97</b>
Add : Balance brought forward	3,004.82	2,156.20
<b>AVAILABLE FOR APPROPRIATION</b>	<b>6,372.55</b>	<b>6,508.17</b>
<b>APPROPRIATIONS:</b>		
1. Proposed Dividend on Equity Shares	658.63	863.30
2. Tax on Dividend	26.68	140.05
3. Transfer to General Reserves	2,500.00	2,500.00
4. Balance carried over	3,187.25	3,004.82
<b>Total</b>	<b>6,372.55</b>	<b>6,508.17</b>

### PERFORMANCE AND OPERATIONS

The Company has been showing consistently good financial performance both in terms of turnover and profitability. During the year, the Gross Revenue from operations of your Company on standalone basis has increased by 3.72 % at ₹ 33.71 crore as compared to ₹ 906.92 crore during previous financial year 2011-12. The Profit before Tax on standalone basis stood at ₹ 4221.19 Lakhs as compared to ₹ 5816.19 Lakhs during previous year.

### DIVIDEND

The Board of Directors at its meeting held on 29<sup>th</sup> January, 2013 declared interim Dividend @ ₹ 5.50 per equity share (55%) on the face value of ₹ 10/- each, which was paid to all shareholders on 15.02.2013.

We are pleased to recommend a final Dividend of 20% (₹ 2.00 per share of face value of ₹ 10/- each for the financial year 2012-13. The final Dividend, if approved

by the members, will be paid to members within the period stipulated by the Companies Act, 1956.

The aggregate Dividend for the year will amount to ₹ 7.50 per share on face value of ₹ 10/- each) as against ₹ 11/- per share of (110% on the face value of ₹ 10/- each) declared last year.

The total cash outgo for this purpose would be ₹ 685.31 Lakhs (Previous Year ₹ 1003.34 Lakhs), which include Tax on Dividend amounting to ₹ 26.68 Lakhs (Previous year ₹ 140.05 Lakhs)

### ACQUISITION

In its strategy to pursue inorganic growth for further accelerating its progress and expanding its presence in select geographies, your Company's Foreign subsidiary LGB USA, INC, USA acquired 100% stake in GFM Corporation USA specializes in manufacturing of Precision Metal Stampings. The Company believes that acquisition of

GFM would help focussing on in-house products and upgrading marketing and sales functions in the important market of USA.

#### **SUBSIDIARY COMPANIES**

As on March 31, 2013, the Company has 2 subsidiaries. M/s.BCW V Tech India Private Limited, wholly - owned subsidiary & LGB USA INC.

Statement pursuant to Section 212(1)(e) of the Companies Act, 1956 forms part of this Annual Report. Information pertaining to performance / financials of subsidiary Companies is disclosed in the Consolidated Financial Statements.

Pursuant to Section 212(8) of the Companies Act, 1956, the Government of India vide its Circular No. 2/2011 dated 08<sup>th</sup> February 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 31<sup>st</sup> March, 2013.

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 2013-2014 have been paid to them well before the due date i.e. April 30, 2013. 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 2013-2014.

#### **PUBLIC DEPOSITS**

The amount of fixed deposits available with the Company as on 31<sup>st</sup> March 2013 is ₹ 990.00 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, Sri. V. Govindarajulu, Sri. S. Sivakumar and Sri. R. Vidhya

Shankar 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 Agreements entered into with the Stock Exchanges, Corporate Governance Report with the Practicing Company Secretary's Certificate thereon and a Management Discussion and Analysis Report are attached and forms part of this report.

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

In terms of Section 205C of the Companies Act, 1956, an amount of ₹ 2.18 Lakhs being unclaimed 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**

The Statutory Auditors of the Company, M/s. Deloitte Haskins & Sells, Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. The Audit Committee and the Board recommend the re-appointment of M/s. Deloitte Haskins & Sells, Chartered Accountants, as Statutory Auditors and 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 AUDIT**

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 and subject to approval of the Central Government, Mr. G.L. Sankaran, Cost Accountant, Coimbatore has been appointed as Cost Auditor for the



year. The relevant cost audit report for the financial year 2011-12 has been filed.

#### **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**

Your Company firmly believes that people are its most valued resource and their efficiency plays a key role in achieving defined goals and building a competitive work environment. In its pursuit to attract, retain and develop best available talents, several programmes are regularly conducted at various levels across the Company. Employee relations continued to be cordial and harmonious across all levels and all the units of the Company.

#### **CORPORATE SOCIAL RESPONSIBILITY**

The Company continued to support causes of public utility both directly and indirectly in the field of education, medical relief, relief of poverty and promotion of sports.

#### **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 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, 2013 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  
30.04.2013

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

<b>1. RESEARCH &amp; DEVELOPMENT</b>		
a)	Specific areas in which R & D is carried out by the Company	a) Timing Chain-Drive chain 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	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	₹ 116.02 Lakhs
	ii) Recurring	₹ 253.80 Lakhs
	iii) Total R & D Expenditure	₹ 369.82 Lakhs
	iv) Total R & D expenditure as a % to total Turnover.	0.39%
<b>2. TECHNOLOGY, ABSORPTION, ADAPTATION AND INNOVATION</b>		
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 phases
	4) If not fully absorbed, areas where this has not taken place reasons therefore and future plan of action.	it is a continuous development
<b>C. FOREIGN EXCHANGE EARNINGS AND OUTGO</b>		
Foreign Exchange earned through Exports amount to		: ₹ 7535.72 Lakhs
Foreign Exchange used		: ₹ 7098.91 Lakhs

Coimbatore  
30.04.2013

By Order of the Board  
**B. VIJAYAKUMAR**  
Chairman cum Managing Director