

L.G. BALAKRISHNAN & BROS LIMITED



**59th
ANNUAL REPORT
2014 - 2015**

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. V. Rajsri
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

Axis Bank Limited
Corporation Bank
HDFC Bank Limited
HSBC Limited
IndusInd Bank Limited
ICICI Bank Limited
IDBI Bank Limited
The Bank of Nova Scotia
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

SECRETARIAL AUDITOR

Sri. M.D. Selvaraj
MDS & Associates
Company Secretary in Practice

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

LISTING

BSE Ltd.
National Stock Exchange of India Ltd.

REGISTERED OFFICE

6/16/13, Krishnarayapuram Road,
Ganapathy, Coimbatore - 641 006.
CIN : L29191TZ1956PLC000257
Email: info@lgb.co.in Website: www.lgb.co.in
Phone: 0422 2532325 Fax: 0422 2532333

CONTENTS

1. Notice	-	3
2. Directors' Report	-	12
3. Management Discussion and Analysis	-	41
4. Corporate Governance	-	43
5. Auditors' Report	-	55
6. Annual Accounts	-	60
7. Consolidated Accounts	-	98

59th ANNUAL GENERAL MEETING

Date : 10th September, 2015
Day : Thursday
Time : 10.30 A.M.
Venue : **Ardra Convention Centre**
"Kaanchan",
9, North Huzur Road
Coimbatore- 641 018.

NOTICE

Notice is hereby given that the Fifty Ninth Annual General Meeting of the Members of the Company will be held on Thursday the 10th day of September 2015 at 10.30 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 Financial Statements of the Company along with Consolidated Financial Statements for the financial year ended 31st March, 2015 together with the Reports of the Board of Directors and 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, 2015.
3. To appoint a Director in place of Smt. V. Rajsri (DIN 00018244), who retires by rotation and being eligible, seeks re-appointment.
4. To appoint a Director in place of Sri.P.Prabakaran (DIN 01709564), who retires by rotation and being eligible, seeks re-appointment.
5. **To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:**

“RESOLVED that pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time, the appointment of Deloitte Haskins & Sells, Chartered Accountants (Firm’s Registration No. 008072S), as Auditors of the Company in the previous Annual General Meeting for a term of three years i.e. till the conclusion of the 61st Annual General Meeting (AGM), which was subject to ratification at every AGM, be and is hereby ratified to hold the office from the conclusion of this AGM till the conclusion of the next AGM of the Company to be held in the year 2016, at such remuneration plus service tax, out-of-pocket, travelling expenses, etc., as may be mutually agreed between the Board of Directors of the Company and the Auditors.”

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 pursuant to Section 196, 197, 203, Schedule V and other applicable provisions if any of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) the consent of the Company be and is hereby accorded to the reappointment of Sri.B.Vijayakumar (DIN: 00015583) as Chairman Cum Managing Director of the Company for a further period of 5 years with effect from 1st January 2015 on the following remuneration as recommended by the Nomination and Remuneration Committee and approved by the Board of Directors at their Meeting held on 06th November, 2014.

1. **Salary:** ₹ 5,50,000/- PM with such annual increment, but not exceeding 10% 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 198 of the Companies Act, 2013.
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:** In the event of loss or inadequacy of Profits in any financial year during the aforesaid period, the remuneration payable to the Chairman Cum Managing Director shall be subject to the limits mentioned in the Section II of Part II of Schedule V of the Companies Act, 2013.
7. **To consider and if thought fit, to pass, with or without modification(s), the following Resolution as Special Resolution:**

“RESOLVED THAT pursuant to the provisions of Section 73 and Section 76 of the Companies Act, 2013

read with Companies (Acceptance of Deposits) Rules, 2014 and other applicable provisions, if any, and subject to such conditions, approvals, permissions as may be necessary, consent of members of the Company be and is hereby accorded to invite / accept / renew from time to time deposits from public and / or members of the Company in accordance with the terms and conditions of Acceptance of Deposits by Companies, as prescribed under Rule 3 of the Companies (Acceptance of Deposits) Rules, 2014.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors is hereby authorized to do such acts, deeds, things and matters as the Board of Directors may in its absolute discretion consider necessary or appropriate for such invitation / acceptance / renewal of deposits by the Company.

8. **To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:**

“RESOLVED THAT pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit & Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force) Dr.G.L.Sankaran, Cost Accountant, (Membership No.4482) appointed as Cost Auditor by the Board of Directors of the Company, to conduct the audit of the cost records of the Company for the financial year ended 2014-2015 and 2015-2016, on a remuneration of ₹ 1,25,000 (exclusive of service tax and out of pocket expenses) for each of the financial years be and is hereby ratified and confirmed.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

9. **To consider approving Related Party Transactions To consider and if thought fit, to pass the following resolution as a Special Resolution.**

“RESOLVED THAT, pursuant to clause 49 of the Listing Agreement entered with Stock Exchanges and Section 188 and all other applicable provisions,

if any of the Companies Act, 2013 (the “Act” including statutory modifications(s) or re-enactments) and read with Companies (Meetings of Board and its Powers) Rules 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) with any amendment thereto and subject to such approvals, consents, sanctions and permission as may be necessary, consent of the members of the Company be accorded to the Board of Directors of the Company to enter in to contracts and /or agreements with the related party as defined under the Act with respect to sale, purchase or supply of any goods or materials, selling or otherwise disposing of or buying, leasing of property of any kind, availing or rendering of any services or any other transaction of whatever nature with with M/s.Renold Chain India Private Limited.”

“RESOLVED FURTHER THAT, for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things and to give such directions as may be necessary or expedient and to settle any question, difficulty or doubt that may arise in this regard as the Board in its absolute discretion may deem necessary or desirable and its decision shall be final and binding.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No.6

Sri.B.Vijayakumar, Chairman Cum Managing Director of the Company was appointed for a period of 5 years from 01-01-2010 and his appointment is due for renewal on 31-12-2014. Under the able leadership of Sri.B.Vijayakumar, the Company has grown from strength to strength in terms of business, operations and profitability during his tenure. He has steered the Company towards enhancing and stabilizing capacities in its manufacturing units and the affairs of the subsidiary and joint ventures in a professional manner. In recognition of his contribution in the Company, the Board of Directors at its meeting held on 06.11.2014 and as per recommendation of the Nomination & Remuneration Committee at the meeting held on 05.11.2014 approved the re-appointment of Sri.B.Vijayakumar as Chairman

Cum Managing Director for a period of 5 years from 01-01-2015. They have also approved the remuneration as proposed in the resolution which is in line with Schedule V of the Companies Act, 2013.

None of the Directors and/or key managerial personnel of your Company and their relatives, except Sri.B.Vijayakumar,Chairman Cum Managing Director, Sri.V.Rajvirdhan and Smt.V.Rajsri, Directors, are concerned or interested, financially or otherwise, in the above Resolution.

The particulars set out above can also be treated as Memorandum required to be circulated to every member under Section 190 of the Companies Act, 2013.

The Board recommends the resolution for your approval.

Item No: 7

In view of the enactment of the Companies Act, 2013 in place of Companies Act, 1956 various new provisions have been introduced in regard to the acceptance of Fixed Deposits. However, with the commencement of Companies Act, 2013 ('the 2013 Act') deposits are now governed by the provisions of Sections 73 to 76 of the Companies Act, 2013 read with Companies (Acceptance of Deposits) Rules, 2014 and approval of Shareholders is therefore required for inviting/ accepting/ renewing deposits. Under Rule 3(4) of the Companies (Acceptance of Deposits) Rules, 2014, an eligible Company shall accept or renew deposits (a) From its members not exceeding 10% of the aggregate of the paid up share capital and free reserves of the Company (b) Other deposits not exceeding 25% of the aggregate of the paid up share capital and free reserves of the Company.

The Board of Directors of your Company recommends the resolution as set out in the accompanying notice for the approval of the members of the Company.

None of the Directors or Key Managerial Personnel of the Company or their relatives is concerned or interested in the Resolution except to the extent of their shareholding in the Company, if any.

Item No:8

The Board, on the recommendation of the Audit Committee, has approved the appointment and remuneration of Dr.G.L.Sankaran, Cost Accountant (Membership No.4482) as Cost Auditor to conduct the audit of the cost records of the Company for the financial year 2014-2015 and 2015-2016. In accordance with the provision of Section 148 of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditor has to be ratified by the members of the Company.

Accordingly, consent of the members is sought for passing ordinary resolution as setout item no.8 of the notice for ratification of the remuneration of the cost auditor for the financial year 2014-2015 and 2015-2016.

None of the Directors or Key Managerial Personnel of your Company and their relatives are concerned or interested financially or otherwise in the above resolution.

Item No: 9

The Company proposes to enter into transactions with M/s.Renold Chain India Private Limited, being a related party, confirming to the requirements of the Companies Act, 2013 and clause 49 of the listing agreement. In this context the necessary special resolution is proposed for the approval of the members. The transactions have been approved by the Audit Committee and also by the Board of Directors subject to the Company passing a special resolution as per the requirement of the Act.

The particulars as to the related party transactions are furnished below as per the requirements of the prescribed rules and the grounds for having the transactions.

The contract will be subject to the conditions that the prescribed price / charges payable under the contracts shall be competitive, shall be based on the prevailing market price, shall not be prejudicial to the interest of either parties and shall be at arm's length, on the basis of comparable uncontrolled price other than with associate enterprise.

None of the Directors or Key Managerial Personnel of the Company or their relatives except Sri. B.Vijayakumar is concerned or interested in the Resolution.

1. Name of the related party	M/s. Renold Chain India P Limited	
Name of the Director/ KMP who is related, if any	B. Vijayakumar & P. Prabakaran	
Nature of relationship	Interested as Directors	
		₹ in lakhs/Annum
Nature, Material Terms, monetary value and particulars of the contract or arrangement;	Leasing of Building / Machineries.	100.00
	Sale / Purchase of Movable and Immovable Assets	1000.00
	Sale / Purchase of Automotive and Industrial Chain and its parts and raw materials therein	3000.00
	Purchase of LPG Gas	25.00
	Availing of transport and canteen facilities	100.00
	Rendering of printing services & supply of stationeries, stores materials and press room materials	100.00
	Availing machinery on lease	100.00
	Sale of stores, spares, tool & dies	100.00
Tenure of the contract	The Contract would be for a period of 5 years.	
Any other information relevant or important for the members to take decision on the	The Company is engaged in Manufacture of Automotive components and its accessories. The Company is making use of Machineries in large scale for the manufacture activities and hence the transaction with the above Company would be beneficial to the Company.	

Copy of the proposed contract is available for inspection of the members during office hours.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (THE “MEETING”) IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

THE INSTRUMENT APPOINTING THE PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING. A PROXY FORM FOR THE AGM IS ENCLOSED.

A PERSON CAN ACT AS A PROXY ON BEHALF OF MEMBERS NOT EXCEEDING FIFTY AND HOLDING IN THE AGGREGATE NOT MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS. A MEMBER HOLDING MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS MAY APPOINT A SINGLE PERSON AS PROXY AND SUCH PERSON SHALL NOT ACT AS A PROXY FOR ANY OTHER PERSON OR SHAREHOLDER.

2. Corporate members intending to send their authorised representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Meeting.
3. Members / Proxies should bring the duly filled Attendance Slip enclosed herewith to attend the meeting.
4. Details under Clause 49 of the Listing Agreement with the Stock Exchanges in respect of the Directors seeking appointment / re-appointment at the Annual General Meeting are furnished and forms a part of the notice. The Directors have furnished the requisite consents / declarations for their appointment / re-appointment.
5. Pursuant to Section 123 of the Companies Act, 2013 dividend as recommended by the Board of Directors for the year ended 31st March 2015, if declared, at the ensuing Annual general meeting is proposed to be paid on or before 28th September, 2015.
6. The Register of Members and the Share Transfer Books of the Company shall remain closed from

Friday, the 04th September, 2015 to Thursday, the 10th September, 2015(both days inclusive) for payment of final dividend.

7. Members holding shares in electronic form are hereby informed that bank particulars registered against their depository accounts will be used by the Company for payment of dividend. The Company or the Registrars cannot act on any request received directly from the members holding shares in electronic form for any change in bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant by the Members.

Members holding shares in physical form and desirous of either registering bank particulars or changing bank particulars already registered against their respective folios for payment of dividend are requested to write to the Registrars and Share Transfer Agents of the Company.

8. Change of Address: Members are requested to notify any change of address and bank details to their depository participants in respect of their holdings in electronic form and in respect of shares held in physical form, to the secretarial department at the registered office of the Company or 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.
9. Dividend of prior years: Pursuant to Section 205A of the Companies Act, 1956, (which are still applicable as the relevant Sections under the Companies Act, 2013 are yet to be notified) the Dividend which remained un-encashed / 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 / bond interest so transferred to the said Fund. Members who have not encashed the Dividend warrant(s) / interest warrants so far, since the financial year 2007-2008, are requested to send their claim immediately to the Company / Registrar and Transfer Agent for issue of pay order / demand draft in lieu thereof.

10. Members who hold shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to send the share certificates to the Registrar and Share Transfer Agents, for consolidation into a single folio.

11. 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.

12. Copies of the Annual Report 2015, the Notice of the 59th Annual General Meeting of the Company and instructions for e-voting, along with the Attendance Slip and Proxy Form, are being sent by electronic mode only to the members whose email addresses are registered with the Company / Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report 2015 are being sent by permitted mode.

13. Members may also note that the Notice of the 59th Annual General Meeting and the Annual Report 2015 will be available on the Company’s website, www.lgb.co.in. The physical copies of the aforesaid documents will also be available at the Company’s registered office for inspection during normal business hours on working days. Members who require communication in physical form in addition to e-communication, or have any other queries, may write to us at: secretarial@lgb.co.in.

14. Voting Through Electronic Means

In compliance with the provisions of section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 and Clause 35 B of the Listing agreement, the Company is pleased to provide members facility to exercise their votes for all the resolutions detailed in the Notice of the 59th Annual General Meeting scheduled to be held at 10.30 a.m, on Thursday, the

10th September, 2015, by electronic means and the business may be transacted through remote e-voting. The Company has engaged the services of CDSL as the authorised agency to provide the remote e-voting facilities. The instructions for remote e-voting is provided below.

Members, who have not voted through remote e-voting and present at the AGM in person or proxy, can vote through the ballot conducted at the AGM. Kindly note that members can opt for only one mode of voting i.e., either by remote e-voting or by ballot at the AGM. A member present at the AGM and voted by remote e-voting will not be permitted to vote at the AGM by Ballot.

Votes cast by members who hold shares on the cut-off date viz 03.09.2015 alone will be counted.

Instructions for Shareholders Voting Electronically are as under:

- (i) The remote e-voting period begins at 09.00 AM on 07.09.2015 and ends on at -05.00 PM on 09.09.2015. During this period shareholders of the Company, holding shares either in physical form or in electronic form, as on the cut-off date (record date) of 03.09.2015, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iii) Click on Shareholders.
- (iv) Now Enter your User ID

a	For CDSL: 16 digits beneficiary ID
b	For NSDL: 8 Character DP ID followed by 8 Digits Client ID
c	Members holding shares in Physical Form should enter Folio Number registered with the Company

- (v) Next enter the Image Verification as displayed and Click on Login
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and

voted on an earlier voting of any company, then your existing password is to be used.

- (vii) If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form

PAN

Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) Members who have not updated their PAN with the Company/ Depository Participant are requested to use the sequence number provided at the attendance slip enclosed herewith in the PAN field

DOB

Enter the Date of Birth as recorded in your demat account or in the Company records for the said demat account or folio in dd/mm/yyyy format.

DIVIDEND BANK DETAILS

Enter the Dividend Bank Details as recorded in your demat account or in the Company records for the said demat account or folio.

Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or Company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).

* Members who have not updated their PAN with the Company/RTA/Depository Participant are requested to use the first two letters of their name and the sequence number in the PAN field.

Incase the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name of the CAPITAL letters. Eg. If your name is Ramesh Kumar

with sequence number 1 then enter RA00000001 in the PAN field. (Sl. No. mentioned in your address label can be used as Sequence No. for this purpose)

- (viii) After entering these details appropriately, click on “SUBMIT” tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach ‘Password Creation’ menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other Company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN for the relevant L.G.Balakrishnan & Bros Limited on which you choose to vote.
- (xii) On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (xv) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xiv) You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.
- (xvii) If Demat account holder has forgotten the changed password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) Note for Non - Individual Shareholders and Custodians
 - ❖ Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - ❖ A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - ❖ After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
 - ❖ The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - ❖ A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
 - ❖ In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.