
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.

CONTENTS

1. Notice	-	3 - 6
2. Directors' Report	-	7 - 10
3. Management Discussion and Analysis	-	11 - 11
4. Corporate Governance	-	12 - 21
5. Auditors' Report	-	22 - 25
6. Annual Accounts	-	26 - 47

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 en-cashed 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

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) Developed several new products for 4 wheelers engines as well as improved products for the 2 wheeler drive chain system. b) Have improved process in the manufacturing of chains. c) Have improved heat treatment so as to utilize less power.
b) Benefits derived as a result of the above R & D	Globalization of our products acceptance.
c) Future plan of Action :	a. Will continue to improve process while developing new products for various new applications.
d) Expenditure on R & D	
i) Capital	Rs. 14.48 Lakhs
ii) Recurring	Rs.100.63 Lakhs
iii) Total R & D Expenditure	Rs. 115.11 Lakhs
iv) Total R & D expenditure as a % to total Turnover.	0.21%

2. TECHNOLOGY, ABSORPTION, ADAPTATION AND INNOVATION

a) Efforts, in brief, made towards technology absorption, adaptation and innovation	a) Inverted tooth Silent chain design and development for automotive application. b) Timing chain drive system design & development.
b) Benefits derived as a results of the above efforts e.g., Product improvement, cost reduction, import substitution etc.	As a result increase of business in timing chain drive systems.
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	-
2) Year of Import	-
3) Has technology been fully absorbed	-
4) If not fully absorbed, areas where this has not taken place reasons therefore and future plan of action.	-

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange earned through Exports amount to : Rs.6102.64 Lakhs
Foreign Exchange used : Rs.3872.81 Lakhs

Coimbatore
22-05-2009

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENT.

The Indian automotive industry has evolved into a world class manufacturing system which is second to none. While continuing to develop process and capability it is strengthened by the growing number of graduates from technical education institution.

Such a tiered network of suppliers with its inherent quality, just in time supply, improved logistic in the country and better infrastructure will definitely propel the final product manufactures to export automobiles motor cycles and trucks to several new destination in the world.

OPPORTUNITIES AND THREATS

OPPORTUNITIES

The slow down and recession in the other parts of the world have forced recognition of the third world suppliers as a necessary entity in the supply chain of most of the engineering sectors of those countries. This offers both India and China immense opportunities for the future.

With the proper support from the Government on the infrastructure, finance and taxation the Indian industry can grow manifold with as high a growth rate as 30%. Your Company would be a part of the same growth affording it a dominant position in the world market.

THREATS

The continuing recession in the world market for all products have created excess inventory in almost all spheres of manufacturing. This could lead to certain countries dumping their goods in the Indian markets. Such dumping could affect the replacement markets of our product.

RISKS AND CONCERNS

Foreign Exchange fluctuation, the liquidity crunch due to high interest rate and continuing world market recession would be the major risk and concern that the engineering industry is facing which the Company is also concerned about.

Coimbatore
22-05-2009

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company has a proper and adequate internal control system to ensure that all the assets of the company are safeguarded and protected against any loss and that all the transactions are properly authorised, recorded and reported.

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 fulfil its targets and deadlines in time. The total number of people employed in the Company as on 31st March 2009 was 1211.

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.

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

CORPORATE GOVERNANCE

1. Company's Philosophy on Code of Governance

LGB believes in maximizing shareholders value by adopting transparent practices and high standards of Corporate Conduct towards Stakeholders.

2. Board of Directors

The Board presently comprises 9 Directors including 2 Executive and 7 Non-Executive Directors, of which 5 are Independent Directors. The Directors are professionals, have expertise in their respective functional areas and bring a wide range of skills and experience to the Board. The Board is headed by executive Chairman.

Composition and category of directors; attendance of each director at the board meetings and the last Annual General Meeting; number of other public companies on the Board or Committees of which, a Director is a Director, Member or Chairman; and number of board meetings, dates on which held, are as under:

Name of the Directors	Category	Attendance Particulars		@ No of Other Directorship held on Public Companies	\$ Membership in Committees of all Companies		Relationship interse Directors
		Board Meeting	Last AGM		Member	Chairman	
Sri. L.G. Varadarajulu **	Non- Executive Promoter	1	Yes	5	1	-	
Sri. B. Vijayakumar Chairman Cum Managing Director	Executive Promoter	4	Yes	10	3	-	Father of Smt. Rajsri Vijayakumar
Sri. P. Prabakaran	Executive Non- Independent	4	Yes	4	-	-	
Sri. P. Balasubramanian	Non- Executive Independent	3	Yes	-	-	-	
Sri. C. Nachiappan	Non- Executive Independent	3	No	-	-	-	
Sri. S. Sivakumar	Non- Executive Non- Independent	4	Yes	6	-	-	
Sri. V. Govindarajulu	Non- Executive Independent	4	Yes	-	1	1	
Sri. P. Shanmugasundaram	Non- Executive Independent	4	Yes	2	-	3	
Smt. Rajsri Vijayakumar	Non- Executive Promoter	4	Yes	6	-	-	Daughter of Sri. B. Vijayakumar
Sri. R. Vidhya Shankar	Non Executive Independent	2	No	2	2	-	

** Sri. L.G. Varadarajulu, Chairman Resigned as the Board Chairman & Director with effect from 15.10.2008 and Sri. B. Vijayakumar Managing Director was appointed as Chairman with effect from 15.10.2008.

@ Exclude directorship in Private Companies and Foreign Companies.

\$ Only Audit Committee and Investor Grievance Committee are considered

Details of the Board meetings held during the financial year 2008 - 2009

During the year, 4 (Four) Meetings of the Board of Directors of the Company were held on 30th May, 2008, 28th July, 2008, 15th October, 2008 and 21st January, 2009.

3. Audit Committee

The terms of reference of this committee has been mandated with the same as specified in Clause 49 of the Listing Agreement with Stock Exchange and also with the requirement of Section 292 A of the Companies Act, 1956.

During the financial year ended 31st March 2009, four Audit Committee Meetings were held on 30th May, 2008, 26th July, 2008, 14th October, 2008 and 20th January, 2009. The necessary quorum was present at these meetings.

The composition of the Audit Committee and the details of meetings attended by the Directors are as follows:

Name of the Member	Category	Designation	No of Meetings	
			Held	Attended
Sri. P. Shanmugasundaram	Independent	Chairman	4	4
Sri. V. Govindarajulu	Independent	Member	4	4
Sri. P. Balasubramanian	Independent	Member	4	3

Chairman of the Audit Committee had attended the last Annual General Meeting.

The Company Secretary acts as the Secretary of the Audit Committee. The Audit Committee invites, as and when considered appropriate, the representatives from the Auditors to be present at the meeting of the Committee.

The Audit Committee considered and reviewed the accounts for the year 2008-2009 before it was placed in the Board.

4. Remuneration Committee

A Remuneration Committee has been constituted by the Board of Directors to review and/or determine the remuneration package of the executive directors of the Company in accordance with the guidelines laid out by the statute and the listing agreement with the Stock Exchanges. The Composition of Committee is given below:-

The following Directors are the members of the Remuneration Committee:

Name of the Member	Category	Status
Sri. C. Nachiappan	Independent	Chairman
Sri. P. Balasubramanian	Independent	Member
Sri. V. Govindarajulu	Independent	Member

During the year under review, the committee had met 1 time on 30th May, 2008. All the members of the committee were present in the meeting.

The Company currently does not have any stock option scheme.

Details of Remuneration paid to directors during the financial year 2008-2009

a) Remuneration paid/payable to the Executive Directors for the financial year ended March 31, 2009 is given as under :

Name	Salary and perquisites Rs. in Lakhs	Service Contract
Sri. B. Vijayakumar, Managing Director	Rs.45.79	Re-appointed for a period of 5 years from 01.01.2005 to 31.12.2009
Sri. P. Prabakaran, Executive Director	Rs. 19.79	Appointed for a period of 3 years from 01.06.2008 to 31.05.2011

Remuneration includes salary, Company's contribution to Provident Fund, commission, reimbursement of medical expenses and other perquisites.

b) Remuneration paid/payable to the Non-Executive Directors for the financial year ended March 31, 2009 is given as under

The non-executive directors were not paid any remuneration except sitting fees for attending the meetings of the board of directors and / or committees thereof. The details of the sitting fees paid to the non-executive directors are as under:

Name of the Director	Sitting Fees (Rs.)
Sri. L.G. Varadarajulu	10,000
Sri. C. Nachiappan	30,000
Sri. P. Balasubramanian	60,000
Sri. S. Sivakumar	40,000
Sri. V. Govindarajulu	80,000
Sri. P. Shanmugasundaram	80,000
Smt. Rajsri Vijayakumar	40,000
Sri. R. Vidhya Shankar	20,000
Total	360,000

c) Statement showing number of Equity Shares of Re.1/- each of the Company held by the present Non-Executive Directors as on March 31, 2009 :

Name	No. of shares held as on 31.03.2009	% of Holding
Smt. Rajsri Vijayakumar	4,447,880	5.67
Sri. C. Nachiappan	68,000	0.08
Sri. P. Balasubramanian	10,000	0.01
Sri. S. Sivakumar	5,240	0.01
Sri. V. Govindarajulu	Nil	-
Sri. P. Shanmugasundaram	Nil	-
Sri. R. Vidhya Shankar	Nil	-

There has been no materially relevant pecuniary transaction or relationship between the Company and its non-executive independent directors during the year.

5. Shareholders' / Investors' Grievance Committee:

The Company has an "Investors Grievance Committee" comprising of the following Directors.

Name of the Member	Category	Status
Sri. V. Govindarajulu	Independent	Chairman
Sri. B. Vijayakumar	Executive Promoter	Member
Sri. R. Vidhya Shankar	Independent	Member

The Committee deals in matters relating to transfer and transmission of shares/bonds, issue of duplicate share/bond certificates and looks into the Shareholders / Investor complaints, if any, on transfer of Shares, non-receipt of dividend, Annual Report etc. In addition, the Committee looks into other issues including status of dematerialization / re-dematerialization of shares and bonds as well as systems and procedures followed to track investor complaints and suggest measures for improvement from time to time.

During the year under review, the Committee met 19 times to deliberate on various matters referred above and responsible for redressal of investors complaints.

Sri. M. Lakshmi Kanth Joshi, Company Secretary, acts as Secretary to the Committee. He is the Compliance Officer of the Company and also responsible for redressal of investors complaints.

The Company has been receiving various correspondences from shareholders/bond holders and required information/documents are furnished immediately to the satisfaction of shareholders/debenture holders. At the beginning of the year, no complaint was pending. During the year ended 31st March, 2009, the Company has not received any complaints from the shareholders hence, at the end of the year, no complaint was pending.

6. Management Discussion and Analysis Report

Management Discussion and Analysis Report forms part of this Annual Report.

7. General Body Meetings: Details of the Last 3 AGM are given as under

Year	Date	Time	Location	Special Resolution Passed
2006	30.08.2006	10.30 A.M.	Ardra," Kaanchan, 9, North Huzur Road, Coimbatore- 18	No Special Resolution Passed
2007	24.09.2007	09.30 A.M.	Ardra," Kaanchan, 9, North Huzur Road, Coimbatore- 18	a. The Company has passed a Special Resolution in the year 2006-07 approving the De-listing of Securities of the Company from the Coimbatore & Madras Stock Exchanges. b. The Company has passed a Special Resolution in the year 2006-07, for Reduction of Share Capital from 8,41,39,034 to 7,84,81,034 and it was approved by the Hon'ble High Court, Madras vide order dated 12.11.2007.
2008	18.08.2008	09.30 A.M.	Ardra," Kaanchan, 9, North Huzur Road, Coimbatore- 18	The Company has passed a Special Resolution, for appointment Sri. V. Rajvirdhan, as a Executive Trainee who is a relative of Sri. B. Vijayakumar, Managing Director and Smt. Rajsri Vijayakumar Director of the Company.

Whether any special Resolution passed through Postal Ballot

Yes

During the year, consent of the members of the Company was sought by an Ordinary Resolution, through Postal Ballot in one occasions as under:-

By an Ordinary Resolution the consent of the members Pursuant to Section 293(1)(a) of the Companies Act, 1956, was obtained for disposal of the Industrial Chain Division situated at D. Gudalur, Vedasandur Taluk, Dindigul - 624 620 through Poatal Ballot. Sri M.D. Selvaraj, Practicing Company Secretary, was appointed as scrutinizer for conducting the Postal Ballot process and the results of the Postal Ballot as follows.

Particulars	No. of Postal Ballot Forms	No. of Shares of Re.1/- each
Total Postal Ballot Cover sent through Certificate of Posting	19,743	7,84,81,034
Less: Postal Covers returned by Postal Authorities	66	145,244
Members who have not exercised their voting rights	18,093	35,149,571
Total No. of Member who have exercised their voting rights	1,584	43,186,219
Less: Invalid vote	36	14,581
Members who have exercised their voting rights (Valid Votes)	1,548	43,171,638
Members who have voted against the Resolution	63	31,837
Members who have voted for the Resolution	1,485	43,139,801
Percentage of votes cast in favour of the Resolution		99.93%

The above Ordinary Resolutions has been passed with the requisite majority.

The Company has complied with the procedures for the postal ballot in terms of the Companies (Passing of Resolutions by Postal Ballot), Rules, 2001 and amendments thereto. The board does not recommend any special resolution for the approval of the members at the ensuing Annual General Meeting.

8. Disclosures

There are no materially significant related party transactions that would have potential conflict with the interests of the Company at large. Details of related party transactions are given elsewhere in the Annual Report.

None of the transactions with any of the related parties were in conflict with the interest of the Company.

The Company has complied with all the requirements of the Listing Agreement of the Stock Exchanges as well as regulations and guidelines of SEBI, No Penalties have been levied or strictures haven been passed by SEBI, Stock Exchanges or any other Statutory Authority on matters relating to capital markets, in the last three years.

The Company complies with all the requirements of the listing agreement including the mandatory requirements of Clause 49 of the agreement.

The Company has adopted the following non-mandatory requirements on Corporate Governance recommended under clause 49 of the listing agreement.

Company has a Remuneration Committee comprises of three Non-executive directors.

9. Whistle Blower Policy

The Company does not have any Whistle Blower Policy. However any employee, if he/she so desires, would have free access to meet the concerned Senior Level Management and Report any matter of concern.

10. Means of Communication

(i) Quarterly and Half-yearly financial results

The Company is regularly providing details of new Directors and Directors seeking re-appointment in the Annual General Meeting notice attached with the Annual Report.

The Quarterly, Half yearly and Annual Results of the Company are available on the website of the Company www.lgb.co.in. The hard and soft copies are also sent to concerned stock exchanges immediately after they are approved by the Board so as to enable them to put them on their notice board/ website and also published in one widely circulated English Newspaper (Financial Express) and a Vernacular (Tamil) Newspaper (Malaimalar). The Company has a dedicated help desk with email ID: secretarial@lgb.co.in in the Secretarial Department for providing necessary information to the investors.

As per the requirements of clause 51 of the listing agreement, all the data relating to quarterly financial results, shareholding pattern etc. have been electronically filed on the EDIFAR website, within the time frame prescribed in this regard.

(ii) Official News Releases:

Official news releases are made whenever it is considered necessary .

11. Shareholder Information :

1. Annual General Meeting is proposed to be held at 10.00 A.M. on 10th July, 2009 at Ardra Convention Centre, Kaanchan, 9, North Huzur Road, Coimbatore- 641 018.
2. Financial Calendar

Financial Year : April to March

For the year ended 31st March 2009, results were announced on 22.05.2009.

Financial Year - 2009-2010

Quarter ending June 30, 2009 - End of July 2009

Quarter ending September 30, 2009 - End of October 2009

Quarter ending December 31, 2009 - End of January 2010

Year ended 31-03-2010 - End of May 2010

3. Date of Book Closure - 01-07-2009 to 10-07-2009 (both days inclusive)
4. Dividend payment date - Within 30 days from the date of Annual General Meeting.
5. a) Listing on Stock Exchanges - Bombay and National Stock Exchanges.
 b) Securities Code - Bombay Stock Exchange Ltd. Equity 500250
 - Bombay Stock Exchange Ltd. Bonds - 918760
 - The National Stock Exchange of India Ltd. - LGBROS-EQ
 - The National Stock Exchange of India Ltd. - LGBROS - D1
 c) The International Security Identification Number (ISIN) - Equity : INE337A01026
 - Bonds : INE337A07015

The Company's Bonds are listed on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

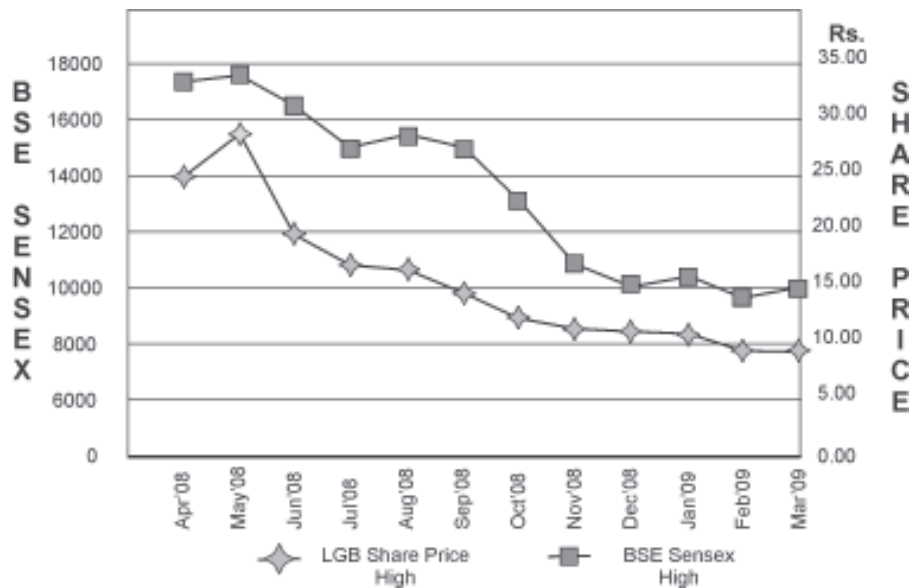
The Company has paid Annual Listing Fees to Bombay Stock Exchange Limited, National Stock Exchange of India Limited. Application for voluntary de-listing of the Securities from Coimbatore Stock Exchange Limited, Coimbatore is pending from their end.

6. Stock market price data for the year 2008-2009

MARKET PRICE DATA: Monthly high/low of market price of the Company's equity shares traded on the Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE) during the last financial year was as under:

	National Stock Exchange		Bombay Stock Exchange	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April	21.80	19.00	25.00	18.80
May	29.10	17.65	28.95	17.60
June	18.50	12.70	19.90	13.70
July	16.10	12.20	17.15	12.45
August	16.80	14.00	16.89	13.00
September	16.90	10.05	14.73	10.20
October	12.90	7.15	12.45	7.15
November	11.30	7.90	11.50	8.05
December	10.00	7.25	11.25	8.00
January	10.60	7.50	11.00	7.61
February	9.00	6.80	9.50	7.80
March	9.35	7.00	9.50	7.50

Note: The Face Value is Re.1/- 7.



7. Registrar & Transfer Agents (For share transfers and other communication relating to share certificates, dividend and change of address)
M/s.Cameo Corporate Services Limited, "Subramanian Building" No.1 Club House Road, Chennai - 600 002
8. Securities Transfer System
The Shares/ Bonds transfers are registered and returned within a period of 15 days of receipt if documents are in order. All requests for dematerialization of shares & Bonds are processed and confirmed to the depositories, NSDL and CDSL within 4 working days. The share transfers are approved by the Share Transfer committee which meets as and when required.
9. Distribution of Shareholding as on 31st March, 2009.

Range	No. of Holders	No. of Shares	% of Shares
1 - 500	13,464	2,991,107	3.81
501 - 1000	3,250	2,776,389	3.54
1001 - 2000	1,716	2,677,401	3.41
2001 - 3000	558	1,450,593	1.85
3001 - 4000	365	1,312,896	1.67
4001 - 5000	228	1,089,000	1.39
5001 - 10000	485	3,590,595	4.58
10001 - and above	427	62,593,053	79.75
Total	20,493	78,481,034	100.00

10. Pattern of Shareholding

Sl. No.	Category	No. of Share holders	No. of Shares held	% to paid-up capital
1	Promoters and promoters group	33	36,225,949	46.16
2	Mutual Funds / UTI	-	-	-
3	Financial Institutions, Banks	2	16,020	0.02
4	Insurance Companies	1	135,960	0.17
5	Foreign Institutional Investors/NRI/OCB	115	8,203,599	10.45
6	Bodies Corporate	428	1,977,930	2.52
7	Public	19,914	31,921,576	40.68
	Total	20,493	78,481,034	100.00

11. Dematerialization of Shares as on 31st March, 2009.

The equity shares of the Company are compulsorily traded in dematerialized form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

Particulars	No. of Shares	Percentage (in Share Capital)
National Securities Depository Limited	36,251,325	46.19
Central Depository Services (India) Limited	3,753,996	4.78
Physical	38,475,713	49.03
Total	78,481,034	100.00

12. Out Standing GDRs / ADRs / Warrants or any Convertible Instruments, Conversion date and likely impact on equity.

Details of this are given in notes forming part of Accounts vide point no.Q.B.(4)(c)

13. Code of Conduct

The Company has in place a Code of Conduct applicable to the Board Members as well as the Senior Management and that the same has been hosted on the Company's website. All the Board Members and the Senior Management Personnel have affirmed compliance with the Code of Conduct, as on 31st March, 2009.

The Company's Managing Director's declaration to this effect forms a part of this report.

Code for prevention of Insider Trading

The Company has framed a Code of Conduct for prevention of Insider Trading based on SEBI (Insider Trading) Regulations, 1992. This code is applicable to all directors / officers / designated employees. The Code ensures the prevention of dealing in shares by persons having access to unpublished price sensitive information.

14. Address for Correspondence :

All correspondences should be addressed to:

M. Lakshmi Kanth Joshi, Company Secretary

6/16/13, Krishnarayapuram Road, Ganapathy Post, Coimbatore- 641 006

Phone : 0422 - 3911212 Fax : 0422 - 3911163 E-Mail : lk.joshi@lgb.co.in

15. Declaration on Code of Conduct.

To

The Members of L.G. Balakrishnan & Bros Limited

In accordance with Clause 49 sub-clause I (D) of The Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management personal including me, have affirmed compliance to their respective Codes of Conduct, as applicable for the Financial Year ended 31st March, 2009.

Coimbatore
22.05.2009

B. VIJAYAKUMAR
Chairman Cum Managing Director

20. Plant Locations

The Company's plants are located as under

1. Ganapathy Krishnarayapuram Road Ganapathy Post Coimbatore- 641 006	2. Annur Ganesapuram Kattampatti Post, Annur, Coimbatore- 641 107	3. Mysore 24, Industrial Suburb III Stage, Mysore South, Mysore 570 008
4. D.Gudalur (RSP) Vedasandur Taluk, Dindigul- 624 620	5. Vaiyampalayam Kottaipalayam Post, Coimbatore- 641 110.	6. Waluj B-49, MIDC Waluj, Aurangabad - 431 133
7. Chinnavedampatti No SF 513, Bharthiyar Street Chinnavedampatti Ganapathy Post Coimbatore	8. Karur (FRD & RBD) Mochakottampalayam Viswanathapuri Post Karur- 639 002	9. Gurgaon Block 'B', 6/21/2, Begampur Khtola, N.H. No.8, Gurgaon
10. Chakan GAT No. 610-611 Chakan Talegaon Road Mahalunge (Ingle), Talkhed Chakan, Pune - 410 501	11. Uttarakhand Plot No 16, Sector-9, 11 E -Sidul, Pantnagar, Dist Udham Singh- 263193 Uttarkhand.	12. Sengalipalayam (Machining) 2/22, Sengalipalayam N.G.G.O Colony Post Coimbatore- 641 022
13. Bangalore Plant 4-A, Bommasandra Industrial Area Anekal Taluk, Bangalore- 560 009	14. Pongalur Sathy Road, Pongular Post Coimbatore- 638 459	15. Pillaippanpalayam Village Kumarapalayam Post Coimbatore -641653
16. Kondayampalayam Pillayar Koil Street, Near Power House Kottaipalayam Post Coimbatore- 641 110		

CERTIFICATE ON CORPORATE GOVERNANCE

To the members of L.G. Balakrishnan & Bros Limited.

I have examined the compliance of conditions of Corporate Governance by M/s. L. G. Balakrishnan & Bros Limited for the year ended March 31, 2009 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

CERTIFICATE ON CORPORATE GOVERNANCE (Contd.)

I state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Investors' Relation Committee.

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Coimbatore
22.05.2009

M.D. SELVARAJ
Practicing Company Secretary
C.P. No. 411 (FCS 960)

**CERTIFICATION BY THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS
OF THE COMPANY.**

I B. Vijayakumar, Chaiman Cum Managing Director of M/s. L.G. Balakrishnan & Bros Limited, certify that

- a. I have reviewed the financial statements and the cash flow statement for the year and that to the best of my knowledge and belief:
 - I. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - II. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c. I am responsible for establishing and maintaining internal controls and that I have evaluated the effectiveness of the internal control systems of the Company and I have disclosed to the auditors and the audit committee, deficiencies in the design or operation of internal controls, if any, of which I am aware and the steps I have taken to rectify these deficiencies.
- d. I have indicated to the auditors and the audit committee:
 - I. Significant changes in internal control during the year
 - II. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - III. Instance of significant fraud of which I have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.

Coimbatore
22.05.2009

B. VIJAYAKUMAR
Chairman Cum Managing Director

AUDITORS' REPORT TO THE MEMBERS OF L.G.BALAKRISHNAN & BROS LIMITED

1. We have audited the attached Balance Sheet of L.G. Balakrishnan & Bros. Limited, as at March 31, 2009, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further, to our comments in the Annexure referred to above, we report that
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit
 - (b) In our opinion proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books.
 - (c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are prepared in accordance with the Accounting Standards referred to in section 211(3C) of the Companies Act, 1956.
 - (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (e) On the basis of written representations received from the directors of the Company, as at 31st March 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act 1956.
5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2009;
 - (b) in the case of the Profit and Loss Account of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows of the company for the year ended on that date.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
C.R. RAJAGOPAL
Membership No 23418
Partner

Coimbatore
22.05.2009

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in our report of even date)

The nature of the Company's business/activities during the year is such that clauses iii(b) to (d), xii, xiii, xiv, xviii and xx are not applicable to the Company.

(i) In respect of its fixed assets:

- a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) Some of the fixed assets were physically verified during the year by the management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification.
- c) The fixed assets disposed off during the year, in our opinion do not constitute a substantial part of the fixed assets of the Company and such disposals has, in our opinion not affected the going concern status of the Company.

(ii) In respect of its inventories:

- a) As explained to us, inventories were physically verified during the year by the management at reasonable intervals.
- b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.

(iii) In respect of loans, secured or unsecured, granted or taken by the Company to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956,

according to the information and explanations given to us:

- a) The Company has not granted loans to any party.
 - b) The Company has taken loans from seven parties (No. of parties 7). At the year-end, the outstanding balances of such loans taken aggregated to Rs. nil (No. of parties nil) and the maximum amount involved during the year was Rs. 709.50 lakhs.
 - c) The rate of interest and other terms and conditions of such loans are, in our opinion, prima facie not prejudicial to the interest of the Company.
 - d) The payment of principal amount and interest in respect of such loans are regular / as per stipulations.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services and we have not observed any continuing failure to correct major weaknesses in such internal controls.
- (v) In respect of contracts or arrangements entered in the register maintained in pursuance of section 301 of the Companies Act 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
- a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered into the register, maintained under the said section have been so entered.
 - b) Where each of such transactions (excluding loans reported under paragraph (iii) above) is in excess of Rs 5 lakhs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.

- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58 and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
- (vii) In our opinion, the internal audit system carried out during the year by an independent Chartered Accountant and a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.
- (viii) We have broadly reviewed the books of account and records maintained by the Company relating to plantation products, pursuant to the order made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.
- (ix) In respect of Statutory dues
- According to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and any other material statutory dues with the appropriate authorities during the year and there are no undisputed statutory dues which are outstanding for more than six months as at the Balance Sheet date.
 - According to the information and explanations given to us, details of disputed sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess which have not been deposited as on March 31, 2009 on account of any dispute are given below:

Name of statute	Nature of the disputes	Amount (Rs. in lakhs)	Period to which the amount relates	Forum where dispute is pending
Income Tax	Disallowance under Section 14A and additions to returned income	25.11	2006 - 2007	CIT Appeals
Central Excise	Classification	23.00	1982 - 1984	High Court of Madras
	Cenvat on Capital Goods	19.62	Various Periods	CESTAT Chennai
Sales Tax	Form H	1.41	1989.1990	High Court of Madras
Service Tax	Credit on GTA and windmill	13.21	Various periods	CESTAT, Chennai
Entry Tax	Entry tax	408.36	Various periods	High Court of Madras (Stayed by the High Court)

- (x) The company does not have any accumulated losses as at the end of the financial year and has not incurred cash loss during the current and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has generally not defaulted in the repayment of dues to financial institutions and banks.

-
- (xii) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks and financial institutions, are not prima facie prejudicial to the interests of the Company.
- (xiii) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.
- (xiv) According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, funds raised on short term basis have, prima facie, not been used during the year for long term investment.
- (xv) According to the information and explanations given to us and the records examined by us, securities/charges have been created in respect of the optionally convertible bonds.
- (xvi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

C.R. RAJAGOPAL
Membership No 23418
Partner

Coimbatore
22.05.2009

BALANCE SHEET AS AT 31.03.2009

Schedule	31.03.2009 (Rs. in Lakhs)		31.03.2008 (Rs. in Lakhs)	
SOURCES OF FUNDS :				
SHAREHOLDERS' FUNDS:				
Share Capital	A	784.81		784.81
Reserves & Surplus	B	13379.25	14164.06	13699.51
LOAN FUNDS:				
Secured Loans	C	14983.21		23003.56
Unsecured Loans	D	170.79	15154.00	661.17
Deferred Tax Liability (Refer Note B(6) of Schedule Q)			1607.19	1769.89
			30925.25	39918.94
APPLICATION OF FUNDS:				
FIXED ASSETS				
Gross Block	E	28023.77		38697.20
Less: Depreciation		12642.98		15842.01
Net Block		15380.79		22855.19
Capital Work-in-progress at cost		394.59	15775.38	1266.79
INVESTMENTS	F		966.84	276.03
FOREIGN CURRENCY MONETARY ITEM TRANSLATION DIFFERENCE ACCOUNT				
(Refer Schedule Q B-20)			525.14	-
CURRENT ASSETS, LOANS & ADVANCES				
Inventories	G	10886.92		13193.37
Sundry Debtors	H	7578.83		10541.94
Cash and Bank Balances	I	3763.79		528.43
Loans and Advances	J	5297.07		4458.73
		27526.61		28722.47
CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities	K	11148.18		11460.57
Provisions		2720.54		1740.97
		13868.72		13201.54
NET CURRENT ASSETS		13657.89		15520.93
		30925.25		39918.94

Accounting Policies & Notes on Accounts Q
Schedules A to K and Q form part of this Balance Sheet.

B. VIJAYAKUMAR
Chairman Cum Managing Director

P. PRABAKARAN
Executive Director

“As per our Report of even date”
For **DELOITTE HASKINS & SELLS**
Chartered Accountants

Coimbatore
22.05.2009

M. LAKSHMI KANTH JOSHI
Company Secretary

C.R. RAJAGOPAL
Membership No.23418
Partner

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2009

Schedule	31.03.2009 (Rs. in Lakhs)	31.03.2008 (Rs. in Lakhs)
INCOME		
Sales	56025.21	61661.48
Less : Excise duty	5265.12	6674.16
Net Sales	50760.09	54987.32
Other Income	L 548.90	295.99
	51308.99	55283.31
EXPENDITURE		
Consumption of Materials	M 26108.30	28230.03
Employees' Cost	N 4528.02	4572.48
Other Expenses	O 14697.07	14973.40
Interest	P 2469.35	2807.60
Depreciation & Amortisation	2069.10	2894.55
	49871.84	53478.06
PROFIT BEFORE TAXATION & EXTRA ORDINARY ITEM	1437.15	1805.25
Add : Exceptional Items (Refer Schedule Q B-1(b))	3064.47	-
PROFIT BEFORE TAXATION	4501.62	1805.25
PROVISION FOR TAXATION		
Current Income-tax	710.00	445.00
Deferred Tax (Credit) / Charge	(162.70)	(174.91)
Fringe Benefit Tax	40.00	49.00
PROFIT AFTER TAX	3914.32	1486.16
Balance brought forward from previous year	3153.14	2988.34
PROFIT AVAILABLE FOR APPROPRIATION	7067.46	4474.50
APPROPRIATIONS		
Proposed Dividend	470.89	274.68
Tax on Dividend	80.03	46.68
Transfer to General Reserve	5376.81	1000.00
Balance Carried to Balance Sheet	1139.73	3153.14
	7067.46	4474.50
Basic and Diluted EPS excluding extra ordinary items (on Re1/- per share)	1.08	1.84
Basic and Diluted EPS including extra ordinary items (on Re1/- per share)	4.99	1.84

Accounting Policies & Notes on Accounts Q

Schedules L to Q form part of this Profit & Loss Account

B. VIJAYAKUMAR
Chairman Cum Managing Director

P. PRABAKARAN
Executive Director

“As per our Report of even date”
For **DELOITTE HASKINS & SELLS**
Chartered Accountants

Coimbatore
22.05.2009

M. LAKSHMI KANTH JOSHI
Company Secretary

C.R. RAJAGOPAL
Membership No.23418
Partner

SCHEDULES TO BALANCE SHEET				
	31.03.2009 (Rs. in Lakhs)		31.03.2008 (Rs. in Lakhs)	
SHARE CAPITAL - A				
Authorised :				
12,00,00,000 (Previous Year 12,00,00,000 Equity Shares of Re.1/- each)		1200.00		1200.00
		1200.00		1200.00
Issued :				
8,41,45,774 (Previous Year 8,41,45,774) Equity Shares of Re.1/- each)		841.46		841.46
		841.46		841.46
Subscribed and Paid-up :				
8,41,39,034 (Previous Year 8,41,39,034) Equity Shares of Re.1/- each			841.39	
Less : Reduction of 56,58,000 Equity Shares 78481034 (Previous Year 8,41,39,034)			56.58	
Equity Shares of Re.1/- each (Of the above 6,01,43,060 (Previous Year 6,01,43,060) Equity Shares of Re.1/- each have been issued as fully paid up Bonus Shares by Capitalisation of Reserves)		784.81		784.81
		784.81		784.81
RESERVES AND SURPLUS - B				
GENERAL RESERVE :				
As per Last Balance Sheet		7266.31		6400.00
Less : Adjustment on De-merger (Refer Schedule Q (B) 1 a)		3643.12		
Less : Reduction of 56,58,000 Equity Shares		-	133.69	
Add : Transfer from Profit & Loss Account		5376.81	9000.00	1000.00
				7266.31
SECURITIES PREMIUM :				
As per Last Balance Sheet		3100.61		3100.61
REVALUATION RESERVE: (FIXED ASSETS)				
As per Last Balance Sheet		179.45		215.32
Less: Adjustment on De-merger (Refer Schedule Q (B) 1 a)		40.54		
Less: Depreciation for the year on Revaluation of Assets		-	138.91	35.87
Balance in Profit & Loss Account		1139.73		3153.14
		13379.25		13699.51
SECURED LOANS - C *				
From Banks				
Term Loan [Repayment within 1 year - Rs.Nil (Previous year Rs. 1175 lakhs)]		-		5912.55
Short Term Loan		500.00		-
Cash Credit		5020.91		7602.55
Vehicle Loan		20.03		46.19
1% Secured Optionally Convertible Bonds		9442.27		9442.27
		14983.21		23003.56

* Refer Schedule Q(B)(4)

SCHEDULES TO BALANCE SHEET

	31.03.2009 (Rs. in Lakhs)	31.03.2008 (Rs. in Lakhs)
UNSECURED LOANS - D		
From :		
Directors	-	135.00
Intercompany Loans	40.38	149.00
Others	37.25	-
Sales-tax Deferral Scheme	-	156.31
Fixed Deposits [Rs.53.12 Lakhs repayable within one year. (Previous year Rs.149.23 Lakhs)]	93.16	220.86
	170.79	661.17

FIXED ASSETS - E

(Rs. in Lakhs)

Description of Assets	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at 1.4.2008	During the Year		As at 31.3.2009	As at 1.4.2008	Deductions**	For the year	As at 31.3.2009	As at 31.3.2009	As at 31.3.2008
		Additions	Deductions**							
Land - free hold *	986.13 (883.16)	-	145.58 (3.49)	840.55 (986.13)	-	-	-	-	840.55 (986.13)	986.13 (883.16)
Building	4301.92 (3175.22)	274.72 (1126.70)	1458.38 (-)	3118.26 (4301.92)	1090.65 (843.33)	279.30 (-)	192.11 (247.32)	1003.46 (1090.65)	2114.80 (3211.27)	3211.27 (2331.89)
Motor Vehicles	246.32 (257.30)	20.92 (21.21)	27.56 (32.19)	239.68 (246.32)	73.05 (58.43)	9.77 (14.71)	27.76 (29.33)	91.04 (73.05)	148.64 (173.27)	173.27 (198.87)
Plant & Machinery	29901.69 (26027.84)	2196.26 (4332.70)	11046.54 (555.87)	21051.41 (29901.69)	12927.16 (10648.55)	4725.51 (12.11)	1582.48 (2290.72)	9784.13 (12927.16)	11267.28 (16974.53)	16974.53 (15379.36)
Furniture,										
Electrical Fittings & Office Equipments	2392.25 (2144.60)	144.83 (345.13)	603.91 (0.46)	1933.17 (2392.25)	1232.40 (999.09)	216.54 (0.04)	162.56 (233.35)	1178.42 (1232.40)	754.75 (1159.85)	1159.85 (1145.44)
Other Assets	658.80 (629.94)	77.15 (28.86)	105.34 (-)	630.61 (658.80)	392.69 (305.01)	37.01 (-)	62.17 (87.68)	417.85 (392.69)	212.76 (266.11)	266.11 (324.93)
Goodwil	210.09	-	-	210.09	126.06	-	42.02	168.08	42.01	84.03
(On Amalgamation)	(210.09)	(-)	(-)	(210.09)	(84.04)	(-)	(42.02)	(126.06)	(84.03)	(126.05)
Capital Work-in										
Progress at cost									394.59 (1266.79)	1266.79 (2337.67)
Total	38697.20	2713.88	13387.31	28023.77	15842.01	5268.13	2069.10	12642.98	15775.38	24121.98
Previous year	(33328.15)	(5961.06)	(592.01)	(38697.20)	(12938.45)	(26.86)	(2930.42)	(15842.01)	(24121.98)	

* Includes leasehold land aggregating to Rs.67.89 lakhs (Previous year Rs.67.89 lakhs)

** Refer Shedule Q (B) 1 (a) & (b)

Note : 1) Land deduction includes Rs.3.49 lakhs, (Previous year Rs.3.49 lakhs) represents Coffee development expenses transferred.

2) Previous year figures are given within bracket

SCHEDULES TO BALANCE SHEET

	Nominal Value	As at 01.04.2008		Purchase (Sales)		As at 31.03.2009	
		No. of Shares	(Rs. in Lakhs)	No. of Shares	(Rs. in Lakhs)	No. of Shares	(Rs. in Lakhs)
INVESTMENTS - F							
LONG TERM INVESTMENTS							
TRADE QUOTED - AT COST							
Fully paid-up Equity Shares in							
Super Spinning Mills Ltd.	1	250000	0.20	-	-	250000	0.20
Elgi Finance Ltd	10	1000	0.20	-	-	1000	0.20
Lakshmi Synthetic Machinery Mfg. Ltd	10	100	0.01	-	-	100	0.01
Supreme Rubber Reclaimers Ltd	10	50	0.01	-	-	50	0.01
Tube Investments of India Ltd	2	1100	0.01	-	-	220	0.01
6.75% Tax Free US 64 Bonds - UTI	100	8540	8.54	-	(8.54)		
Bharath Rubber Regenerating Co. Ltd	10	200	-	-	-	200	-
Elgi Equipments Ltd	1	614803	112.29	-	-	614803	112.29
Magna Electro Castings Ltd	10	61558	6.16	-	-	61558	6.16
Corporation Bank	10	2400	1.92	-	-	2400	1.92
LGB Forge Limited	1	1055000	105.50	-	-	1055000	105.50
TRADE UNQUOTED - AT COST							
Fully paid-up Equity Shares in							
Tata Refractory Ltd	10	5000	2.01	-	-	5000	2.01
Manish Commercial Premises							
Co-operative Society Ltd, Mumbai	50	5	-	-	-	5	-
Kaveri Steels Ltd	10	100	-	-	-	100	-
NON TRADE UNQUOTED - AT COST							
Fully paid-up Equity Shares in:							
Silent Chain India (P) Ltd	10	770	0.15	-	-	770	0.15
LG Farm Products Ltd	10	10000	1.00	-	-	10000	1.00
Rolon Fine Blank Ltd	10	5000	0.50			5000	0.50
LGB Rolon Chain Limited	10	5000	0.50			5000	0.50
Renold Chain India Private Ltd	10	-	-	6250000	625.00	6250000	625.00
BCW V Tech India Private Ltd (Formerly Known as Veridis Tech India (P) Ltd)	10	250000	25.00	475000	47.50	475000	72.50
South West Engineering India Ltd (Formerly Known as Coimbatore Private Industrial Estate Ltd)	1000	179	11.81	358 *	26.85	537	38.66
GOVERNMENT SECURITIES							
- UNQUOTED			0.22				0.22
			276.03		690.81		966.84

* Partly paid Rs.7,500/- per share Full value Rs.15,000/-

SCHEDULES TO BALANCE SHEET
INVESTMENTS - F (contd.)

(Rs. in Lakhs)

	2009		2008	
	Book Value	Market Value	Book Value	Market Value
Quoted Investments	226.30	276.16	129.34	388.28
Unquoted Investments	740.54	-	146.69	-
	966.84	276.16	276.03	388.28

	31.03.2009 (Rs. in Lakhs)	31.03.2008 (Rs. in Lakhs)
INVENTORIES - G		
Valued at cost or net estimated realisable value whichever is lower		
Agricultural Produce	5.65	2.71
Raw Materials	1955.22	3204.17
Semi-Finished Products	3250.14	4029.24
Finished Products	4001.39	3983.78
Stores, Spares and Loose Tools etc.	795.75	1307.96
Trading Goods	790.79	552.16
Packing Materials	87.98	113.35
	10886.92	13193.37
SUNDRY DEBTORS - H		
UNSECURED :		
CONSIDERED GOOD		
Debts outstanding for a period exceeding six months	372.92	789.60
Other Debts	7205.91	9752.34
	7578.83	10541.94
CASH AND BANK BALANCES - I		
Cash and cheques on hand	29.78	23.97
WITH SCHEDULED BANKS ON		
Current Account	79.72	104.31
Unpaid Dividend Account	20.15	18.97
Fixed Deposits *	3342.86	94.80
Remittance-in-Transit	291.28	286.38
	3763.79	528.43
* Includes Fixed Deposits lodged with Bankers for issuing guarantee and margin money Rs.21.18 Lakhs (previous year Rs.19.24 lakhs)		

SCHEDULES TO BALANCE SHEET			
	31.03.2009 (Rs. in Lakhs)	31.03.2008 (Rs. in Lakhs)	
LOANS AND ADVANCES - J			
(Unsecured and considered good)			
Advances recoverable in cash or in kind or value to be received	1397.60		1311.54
Advance Payment of Income-tax*	2620.19		1764.73
Deposits	691.69		1214.36
Nabard Capital Gains Bond	12.80		58.60
Prepaid Expenses	28.72		36.45
Interest accrued	132.55		10.50
Income and claims receivable	413.52		62.55
Unsecured and considered doubtful	134.53		134.53
Less : Provision made	134.53	-	134.53
	<u>5297.07</u>		<u>4458.73</u>
([†] Includes Fringe Benefit Tax Rs.40.00 lakhs (Previous year Rs.49.00 lakhs)			
CURRENT LIABILITIES AND PROVISIONS - K			
CURRENT LIABILITIES :			
Sundry Creditors			
Due to Micro, Small and Medium Enterprises	175.90		101.19
Due to others	8695.79	8871.69	10344.10
Advances and Deposits from Customers	154.25		139.80
Interest Accrued but not due on Loans	2098.23		853.46
Unclaimed Matured Deposits *	3.86		3.05
Unclaimed Dividends *	20.15		18.97
	<u>11148.18</u>		<u>11460.57</u>
PROVISIONS :			
For			
Income-tax	2129.62		1370.61
Fringe Benefit tax	40.00		49.00
Proposed Dividend	470.89		274.68
Tax on Dividend	80.03		46.68
	<u>2720.54</u>		<u>1740.97</u>

* Less than seven years

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	31.03.2009 (Rs. in Lakhs)	31.03.2008 (Rs. in Lakhs)
OTHER INCOME - L		
Rental Charges [TDS Rs.14.05 lakhs. (Previous year Rs.11.68 lakhs)]	93.29	78.31
Interest Receipts [TDS Rs.5.03 lakhs. (Previous year Rs.5.18 lakhs)]	160.34	57.00
Dividend Receipts	7.83	41.69
Miscellaneous Receipts	44.46	53.20
Agricultural Income	12.34	15.55
Profit on Sale of Assets	2.71	7.45
Profit on Sale of Investments	-	8.00
Provision no longer required	-	20.00
Exchange Fluctuation (Net)	227.93	14.79
	548.90	295.99
MATERIALS COST - M		
OPENING STOCK :		
Raw materials	3204.17	3248.74
Semi Finished Products	4029.24	3477.06
Finished Products	3983.78	3948.34
Packing Materials	113.35	112.98
Trading Goods	552.16	379.33
	11882.70	11166.45
LESS: Adjustment on de-merger		
Raw materials	691.80	-
Semi Finished Products	594.42	-
Finished Products	244.62	-
Packing Materials	2.13	-
	1532.97	-
ADD: PURCHASES :		
Raw materials	17959.89	19891.66
Packing Materials	880.89	1002.00
Trading Goods	7042.83	8052.62
	25883.61	28946.28
LESS: CLOSING STOCK :		
Raw materials	1955.22	3204.17
Semi Finished Products	3250.14	4029.24
Finished Products	4040.91	3983.78
Packing Materials	87.98	113.35
Trading Goods	790.79	552.16
	10125.04	11882.70
Consumption of Materials	26108.30	28230.03

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	31.03.2009 (Rs. in Lakhs)	31.03.2008 (Rs. in Lakhs)
EMPLOYEES COST - N		
Managerial Remuneration	65.58	74.41
Salary, Wages and Bonus	3628.46	3865.04
Contribution to Provident Fund & other Funds	514.59	245.73
Welfare Expenses	319.39	387.30
	4528.02	4572.48
EXPENSES - O		
Processing Charges	4215.43	4123.23
Consumption of Stores & Spare Parts	3067.75	2909.38
Rates and Taxes	49.20	45.15
Rent	91.71	73.37
Power and Fuel	1710.11	2351.60
Printing and Stationery	53.15	61.23
Postage, Telegram and Telephones	155.95	181.96
Motor Vehicle Maintenance	70.44	82.73
Travelling and Conveyance	327.77	459.00
Advertisement and Selling Expenses	449.43	303.72
Service Charges	120.40	148.02
Freight, Packing and Forwarding	1823.85	1938.36
Discounts & Commission	1061.22	1045.91
Sales Tax, Entry Tax & Octroi	44.17	106.52
Insurance	51.42	49.89
Donations	20.50	24.50
Miscellaneous Expenses	173.02	273.52
Agricultural Expenses	9.65	13.45
Directors' Sitting Fees	3.60	4.30
Repairs and Maintenance of		
Building	116.24	216.60
Machinery	830.77	450.08
Other Assets	94.54	23.63
	1041.55	690.31
Auditor's Remuneration:		
Audit Fees	4.50	3.30
Taxation Matters	1.25	-
Other services	1.88	0.95
Out of pocket Expenses	0.30	0.50
Rental on Machinery	46.08	-
Loss on Sale of Assets	0.52	81.60
Bad debts written off	102.22	0.90
	14697.07	14973.40
INTEREST - P		
Fixed Deposits	13.22	22.69
Term Loan	1371.86	1221.84
Others	1084.27	1563.07
	2469.35	2807.60

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

ACCOUNTING POLICIES AND NOTES FORMING PART OF
ACCOUNTS FOR THE YEAR ENDED 31-03-2009

SCHEDULE - 0

A. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention (except revaluation of certain fixed assets) on an accrual basis, in accordance with Generally Accepted Accounting Principles in India (Indian GAAP). The said financial statements comply with the relevant provisions of the Companies Act, 1956 (the Act) and the mandatory Accounting Standards to the extent they are applicable.

(ii) Fixed assets and depreciation

All assets are stated at historical cost (net of CENVAT wherever applicable) less accumulated depreciation except land which was revalued. Cost comprises of direct cost, related taxes, duties, freight and attributable finance costs till such assets are ready for its intended use. Subsidy received from State Government towards specific assets is reduced from the cost of fixed assets. Fixed assets taken on finance lease are capitalised. With regard to assets jointly owned with others, the proportionate cost thereof to the Company is capitalized.

Depreciation on Plant and Machinery, Motor Cars, Trucks and Vans has been provided on straight-line method at the rates specified in the Schedule XIV of the Companies Act, 1956.

Depreciation on tools and Dies are provided on the basis of useful life as determined by the Company.

Depreciation in respect of other assets has been calculated on written down value method as per the rates specified in Schedule XIV of the Companies Act, 1956.

Development cost in respect of Estate property is written off over a period of five years.

Goodwill is amortized over a period of five years subsequent to the year of acquisition.

Individual assets whose actual costs does not exceed Rs. 5000/- are fully depreciated in the year of purchase.

Based on technical opinion, windmill is considered as a continuous process plant and depreciation is provided at the rate applicable thereto.

(iii) Impairment of assets

At each balance sheet date, the carrying values of the tangible and intangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where there is an indication that there is a likely impairment loss for a group of assets, the company estimates the recoverable amount of the group of assets as a whole, to determine the value of impairment.

(iv) Borrowing costs

Borrowing costs, if any, are capitalised as part of qualifying fixed assets when it is possible that they will result in future economic benefits. Other borrowing costs are expensed.

(v) Inventories

Inventories are valued at lower of cost and net realisable value. Cost includes all direct costs and applicable production overheads, to bring the goods to the present location and condition. Excise duty on the finished goods is added to the cost.

- i) Raw Materials and Store & Spare parts.
At Weighted Average Costs or net realizable value which ever is lower
- ii) Finished Products/Trading goods.
At lower of cost or net realizable value inclusive of excise duty thereon.
- iii) Semi Finished Goods.
At Cost
- iv) Agriculture Produce.
At estimated realizable Value.

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(vi) Investments

Long term investments are stated at cost less other than temporary diminution in value, if any. Current investments are stated at lower of cost or market value.

(vii) Revenue recognition

- i. Domestic Sales are recognized on the basis of sale invoice raised.
- ii. Export sales are recognized on the basis of dispatch of goods from point of sale.
- iii. Benefit on account of entitlement to import goods free of duty under the “Duty Entitlement Pass Book under the Duty Exemption Scheme” is being accounted in the year of export

(viii) Research and Development

All revenue expenditures related to research and development are charged to the respective heads in the profit and loss account. Capital expenditure incurred on research and development is capitalised as fixed assets and depreciated in accordance with the depreciation policy of the company.

(ix) Employee Benefits

(a) Short Term:

Short term employee benefits are charged off at the undiscounted amount in the year in which the related service is rendered.

(b) Post Retirement:

Post Retirement Benefits comprise of Provident Fund, Superannuation Fund and Gratuity which are accounted for as follows:

i) Provident Fund (Government PF)

This is a defined contribution plan, and contributions made to the Fund are charged to Revenue. The Company has no further obligations for future provident fund benefits other than annual contributions.

ii) Superannuation Fund

This is a defined contribution plan. The Company contributes a sum equivalent to

defined contribution plan for eligible employees’ salary towards superannuation fund administered by the Trustees and managed by Life Insurance Corporation of India (LIC). The Company has no further obligations for future superannuation benefits other than its annual contributions and recognises such contributions as expense in the year incurred.

iii) Gratuity -Funded

This is a defined contribution plan. The Company makes annual contribution to a Gratuity Fund administered by LIC through the Trust.

(c) Long Term:

i) Leave encashment :

Encashment of leave is paid annually and accounted for.

(x) Foreign Currency Transaction

Transaction on account of import of raw materials and other inputs are accounted based on the actual liability incurred if the transactions are settled within the accounting year. Such transactions not settled during the accounting year are accounted on rates prevailing on close of the accounting year.

Export sale realisations are accounted at actuals and those not realised within the accounting year are stated at rates prevailing on close of the accounting year.

(xi) Cash flow statement

Cash Flow Statement has been prepared in accordance with the indirect method prescribed in Accounting Standard 3 issued by the Institute of Chartered Accountants of India.

(xii) Leases

Leases are classified as finance or operating leases depending upon the terms of the lease agreements. Assets held under finance leases are recognised as assets of the Company on the date of acquisition and depreciated over their estimated useful lives using the method and rates applicable to the class

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

of asset as described in Note Q(A)(ii) above. Finance costs are treated as period cost using effective interest rate method and are expensed accordingly. Rentals payable under operating leases are expenses as incurred.

(xiii) CENVAT/Service Tax

CENVAT credit on materials purchased / services availed for production / Input services are taken into account at the time of purchase. CENVAT credit on purchase of capital items wherever applicable are taken into account as and when the assets are acquired. The CENVAT credits so taken are utilised for payment of excise duty on goods manufactured / Service tax on Output services. The unutilised CENVAT credit is carried forward in the books.

(xiv) Segment reporting

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company with the following additional policies:

- a. Inter-segment revenues have been accounted on the basis of prices charged to external customers.
- b. Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment.

Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable base have been included under “unallocated corporate expenses”

(xv) Income Tax

Current tax is determined on income for the year chargeable to tax in accordance with the Income Tax Act, 1961. Deferred tax is recognised for all the timing differences. Deferred tax assets are recognized when considered prudent.

(xvi) Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) Possible obligation which will be confirmed only by

future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised

B. NOTES FORMING PART OF ACCOUNTS.**1. a) De-merger:**

The Company is engaged in the business of manufacturing Auto Components.

The Restructuring committee of the Board of Directors of the Company at their meeting held on 27.12.2007 approved a Scheme of Arrangement involving the De-merger of Forging Segment into M/s. LGB Forge Limited. This Scheme was approved by the members in an extra-ordinary general meeting held on 27.03.2008 and by the Honorable High Court of Madras vide their order dated 21.04.2008. The Appointed date of the de-merger is 01.04.2008.

Consequent to the approval of the above scheme, the Company (Transferee) has recorded the assets and liabilities of the merged business vested in it at the respective values appearing in the books of M/s.L.G. Balakrishnan & Bros Limited without revaluation.

On de-merger, the undertakings of L.G. Balakrishnan & Bros Limited relating to the Forging business stands transferred to and vested in M/s. LGB Forge Limited with effect from 01.04.2008 on a going concern basis. M/s. L.G. Balakrishnan & Bros Limited has deducted the book values of the assets and liabilities pertaining to the de-merged undertaking that are vested in M/s. LGB Forge Limited by adjusting the difference between them against the general reserves of M/s. L.G. Balakrishnan & Bros Limited.

Particulars	Rs. in Lakhs
Assets	
Fixed Assets (Net) (including capital WIP)	7,871.57
Current Assets:	
Inventories	1,893.95
Sundry Debtors	2,437.75
Cash & Bank Balances	4.84
Loans & Advances	525.63
Total Assets	12,733.74
Liabilities	
Current Liabilities & Provisions	1,225.08
Loan Funds	7,825.00
Total Liabilities	9,050.08
Excess of assets over liabilities transferred	3,683.66
Share Capital	784.81
Reserves & Surplus	2,898.85
TOTAL	3,683.66

b) Sale of Industrial Chain Business:

Pursuant to an agreement dated 24th June, 2008 and with the approval of the Shareholders, the Fixed Assets and the Inventory of the Industrial Chain Business as detailed below have been sold to M/s. Renold Chain India Private Limited effective on 30th September, 2008.

Particulars	Rs. In Lakhs
Initial Consideration	5500.00
Additional consideration	793.74
Total	6293.74
Less : Fixed Assets	1112.07
Inventory	1582.36
Working Capital adjustment	534.84
	3229.27

Profit on Sale of Industrial Chain Business **3064.47**

2. Pending the outcome of the Company's reference to the High Court of Madras regarding adequacy of the compensation relating to 163.73 acres of land acquired by the State government in 1972, no adjustment has been made in the value of land.

3. The Company had purchased a Flat in Ahmedabad in 1979 for Rs. 1.40 Lakhs. The Flat has not yet been registered in the name of the Company. A suit was filed against the company by the builder claiming the possession of the Flat together with an amount of Rs. 17.77 Lakhs towards lease rent, compensation, and mense profit. The Company has been advised by the counsel that the claim against the company is not tenable.

4. SECURITY FOR LOAN

a. Term Loan:

The term loans are secured by the hypothecation of Plant and Machineries purchased out of the said loans and are collaterally secured by the equitable mortgage by deposits of title deeds of certain immoveable properties.

b. Bank Loan:

The Working Capital loans are primarily secured by hypothecation of inventories and book debts of the company.

c. 1% Secured Optionally Convertible Bonds:

The Bonds are secured by

1. First pari-passu charge / hypothecation / security interest in favour of IDBI Trusteeship Services Ltd. on the Company's fixed assets charged specifically to other lending institutions.
2. Second charge on the entire current assets of the Company.

During the year 2006-07, the Company has issued 93,48,782 1% Secured Optionally Convertible Bonds of a face value of Rs.101/- on Rights Basis in the ratio of 1:9 aggregating to Rs.9,442.27 lakhs. As per the terms of the issue, the Bond holders and also the Company have an option at any time after the end of the third year from the date of issue to get their bonds redeemed. The redemption will happen at such yield as specified in "Redemption at Maturity of the Bonds". Unless previously converted by the Bondholder or redeemed and cancelled by the Company, the Company will redeem the Bonds at a premium in 5 equal half yearly installments starting from the end of the 5th year from the issue date of the Bonds. The premium payable on the Bonds will be calculated at an effective yield of 9.75% p.a.

The proceeds are utilized for refinancing high cost term loan and working capital facilities.

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

5. CONTINGENT LIABILITIES

Rs. in Lakhs)

	31.03.2009	31.03.2008
a. Guarantee given by Bankers and outstanding	701.47	184.05
b. Amount outstanding on Letters of Credit	4389.37	5780.45
c. Corporate guarantee given for others	8898.82	-
d. i) Estimated amount of contracts remaining to be executed on Capital Accounts and not provided for (Net after advance payments)	617.31	1368.30
ii) Commitment on account of Technical fee payable in future (for Technology Transfers)	-	18.00
e. Bills discounted with Banks	733.22	479.98
f. Disputed tax liability	546.86	125.15
g. Export obligation	6870.20	3439.46
Duty implication involved	909.73	410.21

6. DEFERRED TAXATION

Deferred Tax Liability as at 31st March 2009 comprises the following:-

(Rs. in Lakhs)

Particulars	Opening as on 01-04-2008	Charge (Credit) During the year	Closing as on 31-03-09
Depreciation	2122.92	189.83	2312.75
Others	(353.03)	(352.53)	(705.56)
Total	1769.89	(162.70)	1607.19

7. Earnings per share

(Rs. in Lakhs)

	31.03.2009	31.03.2008
Profit after taxation as per Profit & Loss Account including extra ordinary items	3914.32	1486.16
Profit after taxation as per Profit & Loss Account excluding extra ordinary items	849.85	1486.16
Weighted average number of equity shares outstanding	78481034	80765571
Basic and diluted earnings per share in rupees (face value - Re.1/- per share)		
EPS excluding extra ordinary items (Rs)	1.08	1.84
EPS including extra ordinary items (Rs)	4.99	1.84

8. Segment Reporting

(Rs. in Lakhs)

	31.03.2009	31.03.2008
A Revenue		
1 Transmission	34399.63	30473.76
2 Metal Forming	10101.63	9685.80
3 Forging & Machining	-	8121.60
4 Others	6258.83	6706.16
Total	50760.09	54987.32
B Profit Before Interest & Tax		
1 Transmission	3196.39	3769.06
2 Metal Forming	883.93	1035.27
3 Forging & Machining	-	(333.17)
4 Others	(173.82)	141.69
Total	3906.35	4612.85
Less: Interest Expenses	2469.35	2807.60
Add: Unallocable Income	3064.47	-
Net Profit before Tax	4501.62	1805.25
C Capital Employed		
1 Transmission	14777.02	14449.37
2 Metal Forming	8199.97	7346.98
3 Forging & Machining	-	12226.70
4 Others	7948.26	6011.22
Total	30925.25	40034.27

9. RELATED PARTY DISCLOSURES (As identified by the management and relied upon by Auditors)

A. Name of related parties and nature of relationship where control exists are as under :

i. Associates

- | | |
|-------------------------------------|--|
| a. Elgi Automotive Service Ltd | i. LGB Fuel Systems Private Ltd |
| b. L.G.B Auto Products Ltd | j. BCW V Tech India Private Ltd |
| c. LG Farm Products Ltd | k. LGB Forge Ltd |
| d. L.G. Balakrishnan & Bros - Karur | l. Rolon Fine Blank Ltd |
| e. LG Sports Ltd | m. LGB Rolon Chain Ltd |
| f. Super Speeds Private Ltd | n. Vijayshree Spinning Mills Private Ltd |
| g. Super Transports Private Ltd | o. Renold Chain India Private Ltd |
| h. Silent Chain India Private Ltd | p. South West Engineering India Ltd |

ii. Key Management Personnel

Sri. B. Vijayakumar Sri. P. Prabakaran

iii. Relatives of Key Management Personnel of Sri. B. Vijayakumar

Smt. B. Sarojini	Sri. Nithin Karivardhan
Smt. Vijayshree. V	Smt. Rajsri Viajayakumar
Sri. V. Rajvirdhan	Sri. Rajiv Parthasarathy
Sri. Arjun Karivardhan	

Relatives of Key Management Personnel of Sri. Sri. P. Prabakaran

Sri. K. Palanichamy	Smt. D. Maheswari
Smt. Rajalakshmi	Sri. P. Suryakumar

B. Transactions during the year with related parties / Key Management Personnels are as under :

Nature of Transactions	Associates	Relatives of Key Managerial Personnel	Key Managerial Personnel	Total (Rs. in Lakhs) 2008-09	Total (Rs. in Lakhs) 2007-08
Managerial Remuneration	-	-	65.58	65.58	74.41
Loan Receipts	220.00	243.00	184.00	647.00	284.00
Interest Payment	42.34	4.15	7.45	53.94	23.44
Purchase of Power, Spares	2605.70	-	-	2605.70	76.79
Rent Receipts	9.11	-	-	9.11	8.86
Rent / Lease Payment	42.31	-	-	42.31	-
Processing/Conversion					
Charges Payment	30.33	-	-	30.33	72.40
Sale of Power, Stores, Materials and					
Service Charges	2493.50	-	-	2493.50	18.80
Sales Promotion Payments	26.69	-	-	26.69	24.72
Purchase of Capital Goods	-	-	-	-	187.98
Receivables as at year end	2636.15	-	-	2636.15	30.68
Payables as at year end	894.57	-	-	894.57	3.59

10. Lease

Vehicles

The Company had purchased vehicles on hire-purchase. The total of future Minimum Hire charges and their Net Present Value (NPV) on finance leases are as under:

(Rs. in Lakhs)

Payable	2008-09		2007-08	
	Minimum Hire charges	Net Present Value	Minimum Hire charges	Net Present Value
i) Not later than one year	11.81	9.49	16.42	14.30
ii) Later than one year and not later than five years	9.84	7.41	23.74	18.59
iii) Later than five years	-	-	-	-
Total	21.65	16.90	40.16	32.89

11. NOTES ON ACCOUNTS

The under mentioned companies constitute the "Group" in Terms of Regulation 3(1) (e) of SEBI Substantial Acquisition Shares and Takeover Regulation 1997 as amended.

- i. Elgi Automotive Services Limited
- ii. L.G.B. Auto Products Limited
- iii. LG Farm Products Limited
- iv. LG Sports Limited
- v. Super Transports Private Limited

- vi. Super Speeds Private Limited
- vii. Silent Chain India Private Limited
- viii. LGB Fuel Systems Private Limited
- ix. BCW V Tech India Private Limited
- x. LGB Forge Limited
- xi. Rolon Fine Blank Limited
- xii. LGB Rolon Chain Limited
- xiii. Vijayshree Spinning Mills Private Limited
- xiv. Renold Chain India Private Limited
- xv. South West Engineering India Limited

12. Power and fuel are net of own generation of electricity.

13. Micro, Small and Medium Enterprises

The information as required to be disclosed under the Micro, Small & Medium Enterprise Development Act 2006 has been determined to the extent to such parties have been identified on the basis of information available with the Company. The amount of principal and interest outstanding during 2008 - 09 is given below

Sl. No.	Particulars	Amount Rs. 2008-09	Amount Rs. 2007-08
1.	Amount unpaid as at year end	175.90	101.19
2.	Amount paid after appointed date during the year	Nil	Nil
3.	Amount of interest accrued and unpaid as at year end.	Nil	Nil

14. DETAILS OF MANAGERIAL REMUNERATION :

PARTICULARS	31.03.2009 (Rs. in Lakhs)	31.03.2008 (Rs. in Lakhs)
B. Vijayakumar - Managing Director		
Salaries and Allowances	24.90	23.11
Commission	15.04	19.50
Contribution to Provident Fund	2.99	2.77
Other Benefits	2.86	3.00
	<u>45.79</u>	<u>48.38</u>
Sri. P.S. Balasubramanian - Joint Managing Director		
Salaries and Allowances	-	21.49
Contribution to Provident Fund	-	2.30
Other Benefits	-	2.24
	-	<u>26.03</u>
Sri. P. Prabakaran - Executive Director		
Salaries and Allowances	13.90	-
Contribution to Provident Fund	1.38	-
Other Benefits	4.51	-
	<u>19.79</u>	-

15. CALCULATION OF MANAGING DIRECTOR'S COMMISSION

PARTICULARS	31.03.2009 (Rs. in Lakhs)	31.03.2008 (Rs. in Lakhs)
Net profit as per Profit and Loss Account	4501.62	1805.25
Add Directors remuneration	65.58	74.41
Sitting Fees	3.60	4.30
Loss on sale of Assets	0.52	81.60
	<u>69.70</u>	<u>160.31</u>
	4571.32	1965.56
Less Profit on Sale of Assets	3067.18	7.45
Profit on Sale of Investments	-	8.00
	<u>3067.18</u>	<u>15.45</u>
	1504.14	1950.11
Commission @1% thereon to Managing Director	15.04	19.50

16. Details of Foreign Exchange Earnings and Outgo
(a) Earnings in Foreign Exchange

PARTICULARS	31.03.2009 (Rs. in Lakhs)	31.03.2008 (Rs. in Lakhs)
On account of Export of Goods at FOB value	6102.64	4402.97

(b) Expenditure in Foreign Currency (on payment basis)

PARTICULARS	31.3.2009 (Rs. in Lakhs)	31.3.2008 (Rs. in Lakhs)
Travelling	16.31	24.22
Technical know-how fee	22.93	62.73
Interest	94.29	46.25
Others	42.26	51.24
	175.79	184.44

(c) Value of Imports calculated on CIF basis in respect of

Raw Materials	1797.84	1175.66
Stores and Spare Parts	266.96	142.69
Machinery	1632.22	1373.44
	3697.02	2691.79

(d) Particular of Consumption

Value Rs. in Lakhs

	Imported		Indigenous		Total	
	31.03.2009	31.03.2008	31.03.2009	31.03.2008	31.03.2009	31.03.2008
Raw Materials (Including Expenses)						
Value	1797.84	522.85	16719.20	19413.38	18517.04	19936.23
Percentage	9.71	2.63	90.29	97.37	100.00	100.00
Stores & Spares (Including Expenses)						
Value	90.66	30.33	2977.09	2879.05	3067.75	2909.38
Percentage	2.96	1.04	97.04	98.96	100.00	100.00
Packing Materials						
Value	-	-	904.12	1001.63	904.12	1001.63
Percentage	-	-	100.00	100.00	100.00	100.00

17. Quantitative Particulars
a) Capacities

Class of Goods	Licenced Capacity		Installed Capacity @	
	31.03.2009	31.03.2008	31.03.2009	31.03.2008
Industrial / Automotive Chain	Not Applicable	Not Applicable	2,61,00,000 Units	2,60,00,000 Units
Fine Blanked Products	"	"	5,94,00,000 Strokes	5,10,00,000 strokes
Rubber Belts	"	"	18,00,000 Nos.	18,00,000 Nos.
Bosch Components	"	"	12,00,000 Nos.	12,00,000 Nos.
Horse Shoe	"	"	9,60,000 Nos.	Not Applicable

@ Installed Capacity is as certified by the management

b) Production, Turnover and Stocks

All figures in Lakhs

Class of Goods	Unit	Production	Opening Stock	Closing Stock	Sales Qty.	Value (Rs.)
1. Industrial/ Automobile Chain	Mts.	242.23	25.11	34.21	233.13	33907.64
		(350.79)	(19.00)	(25.11)	(344.68)	(30153.12)
2. Fine Blanked Products	Nos.	435.59	6.41	13.02	428.98	6645.58
		(463.74)	(14.29)	(6.41)	(471.62)	(6977.98)
3. Rolled Steel Products	MT.	-	-	-	-	2139.34
						(1913.67)
4. Bosch	Nos.	6.72	0.05	0.06	6.71	1258.52
		(7.56)	(-)	(0.05)	(7.51)	(794.15)
5. Cold Forged Products	Nos.	-	-	-	-	-
		(53.31)	(0.02)	(0.05)	(53.28)	(1740.43)
6. Hot and Warm Forged Products	Nos.	-	-	-	-	-
		(32.54)	(-)	(1.58)	(30.96)	(1856.69)
7. Hot forged Products	Nos.	-	-	-	-	-
		(50.74)	(-)	(0.77)	(49.97)	(4524.48)
8. Rubber belts	Nos.	9.99	0.27	0.44	9.82	491.99
		(7.85)	(0.56)	(0.27)	(8.14)	(320.64)
9. Horse Shoe Project	Nos.	0.76	-	0.08	0.68	58.19
10. Others *		-	-	-	-	6258.83
		-	-	-	-	(6706.16)
Total						50760.09
						(54987.32)

* Quantities too numerous to list and hence not furnished

Previous year figures are given within brackets

c) Consumption of Raw Materials

PARTICULARS	Unit	Quantity		Value (Rs. in Lakhs)	
		2008-09	2007-08	2008-09	2007-08
Steel Strips / Wires / Rods/ Bars	Tonnes	48634.48	56064.05	18195.07	19671.29
Rubber & Chemical	Kgs.	95979.93	72763.44	224.36	178.98
Others				97.61	85.96
Total				18517.04	19936.23

18. Excise Duty amounting to Rs.39.52 Lakhs (Previous year Rs.179.74 lakhs) is included in the finished goods stock.

19. Remittances in foreign currencies for Dividends :

The Company has not remitted any foreign currencies on account of Dividend.

Particulars	2008-09	2007-08
Number of Non-Resident Shareholders	110	104
Number of Ordinary Shares held by them	172,541	155,156
Gross amount of dividend	-	-

20. Pursuant to the notification G.S.R. 225(E) issued by Ministry of Corporate Affairs, the Company exercised its option, during the year irrevocably, to account for exchange difference on long term monetary items in foreign

currency (i.e. those items whose term of settlement exceeds twelve months from the date of its origination) as directed in this said notification. Accordingly, all non term assets and liabilities outstanding in foreign currency are translated at the closing rate as on March 31, 2009.

Exchange differences on translation or settlement of long term foreign currency monetary items at rates different from those at which they were initially recorded or April 1, 2007 whichever is latter, in so far as it relates to acquisition of depreciable assets are adjusted to the cost of the assets. In other cases, such exchange differences are accumulated in "Foreign Currency Monetary Item translation difference account" and amortised by recognition as income or expense in each period over the balance term till settlement occurs but not beyond March 31, 2011.

The impact of the above adjustments returning to the current year is a higher net profit of Rs.525.14 lakhs.

21. Defined Contribution Plan:

Contribution to Defined Contribution Plan recognized and charged off for the year as under:

PARTICULARS	2008 - 09	2007-08
Employer's Contribution to Provident and Family Pension Fund	142.63	177.47
Employer's Contribution to Superannuation Fund	4.95	5.63
Employer's Contribution to Gratuity Fund	359.99	62.63

22. The financial statements of the current year have been prepared after excluding the operating results of the Forging business from 01.04.2008, consequent to the de-merger and sale of the Industrial Chain Business from 30.09.2008. Hence the figures for the current year are not comparable with those of the previous year.

23. The previous year figures in the Balance Sheet and in the Profit & Loss Account have been regrouped and reclassified, wherever necessary, to conform to the current year's classification and expressed in terms of Lakhs.

**Signatures to Schedules A to Q
For and on Behalf of the Board**

B. VIJAYAKUMAR
Chairman Cum Managing Director

P. PRABAKARAN
Executive Director

"As per our Report of even date"
For **DELOITTE HASKINS & SELLS**
Chartered Accountants

Coimbatore
22.05.2009

M. LAKSHMI KANTH JOSHI
Company Secretary

C.R. Rajagopal
Membership No.23418
Partner

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2009.

PARTICULARS	31.03.2009 (Rs. in Lakhs)	31.03.2008 (Rs. in Lakhs)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before extra ordinary items	849.85	1486.16
Adjustment for		
Provision for Taxes	587.30	319.09
Depreciation	2069.10	2894.55
(Profit) / Loss on Sale of Assets	(2.19)	74.15
(Profit) / Loss on Sale of Investments	-	(8.00)
Finance charges	2469.35	2807.60
Interest Income	(160.34)	(57.00)
Dividend Income	(7.83)	(41.69)
Operating profit before Working Capital changes	5805.24	7474.86
Adjustment for		
(Increase) / Decrease in Sundry Debtors	2963.11	(1924.70)
(Increase) / Decrease in Loans and Advances	(508.02)	93.60
(Increase) / Decrease in Inventories	2306.45	(850.75)
Increase / (Decrease) in current liabilities	(312.39)	565.90
Cash Generated from Operations	10254.39	5358.91
Income Tax Paid	(855.45)	(549.42)
Net Cash from Operating Activities (A)	9398.94	4809.49
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1841.68)	(4890.18)
Proceeds from Sale of Fixed Assets	4437.71	491.00
Purchase of Investment	(699.35)	(130.00)
Proceeds from Sale of Investments	8.54	74.12
Dividend received	7.83	41.69
Interest received	160.34	57.00
Extra Ordinary Items	3064.47	-
Net Cash flow used in Investing Activities (B)	5137.86	(4356.37)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds/(Reduction) in Share Capital	-	(190.27)
(Repayment) / Proceeds of Secured Loan	(8020.35)	(6999.75)
Proceeds / (Repayment) of Unsecured Loans	(490.38)	(101.74)
Interest paid	(2469.35)	(2807.60)
Dividend paid	(321.36)	(492.20)
Net Cash used in Financing Activities (C)	(11301.44)	(10591.56)
Net Increase in Cash and Cash Equivalents (A+B+C)	3235.36	(10138.44)
Opening Balance	528.43	10666.87
Closing Balance *	3763.79	528.43
* includes restricted bank balance of Rs. 41.33 lakhs (Previous year Rs. 38.21 lakhs)		

B. VIJAYAKUMAR
Chairman Cum Managing Director

P. PRABAKARAN
Executive Director

“As per our Report of even date”
For **DELOITTE HASKINS & SELLS**
Chartered Accountants

Coimbatore
22.05.2009

M. LAKSHMI KANTH JOSHI
Company Secretary

C.R. Rajagopal
Membership No.23418
Partner



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details:

Registration No

1	8	1	-	0	0	0	2	5	7
---	---	---	---	---	---	---	---	---	---

State code

									1	8
--	--	--	--	--	--	--	--	--	---	---

Balance sheet Date

3	1	-	0	3	-	2	0	0	9
---	---	---	---	---	---	---	---	---	---

II. Capital Raised during the year (amount in thousand of Rs.)

Public Issue

			N	I	L				
--	--	--	---	---	---	--	--	--	--

Rights Issue (Bonds)

			N	I	L				
--	--	--	---	---	---	--	--	--	--

Bonus Issue

			N	I	L				
--	--	--	---	---	---	--	--	--	--

Private Placement (Equity)

			N	I	L				
--	--	--	---	---	---	--	--	--	--

III Position of Mobilization and Deployment of Funds (amount in thousands of Rs.)

Total Liabilities

		3	0	9	2	5	2	5
--	--	---	---	---	---	---	---	---

Total Assets

		3	0	9	2	5	2	5
--	--	---	---	---	---	---	---	---

Sources of funds

Paid-up Capital

				7	8	4	8	1
--	--	--	--	---	---	---	---	---

Reserves & Surplus

		1	3	3	7	9	2	5
--	--	---	---	---	---	---	---	---

Deferred Tax Liability

			1	6	0	7	1	9
--	--	--	---	---	---	---	---	---

Secured Loans

		1	4	9	8	3	2	1
--	--	---	---	---	---	---	---	---

Unsecured Loans

				1	7	0	7	9
--	--	--	--	---	---	---	---	---

Application of Funds

Net Fixed Assets

		1	5	7	7	5	3	8
--	--	---	---	---	---	---	---	---

Investments

				9	6	6	8	4
--	--	--	--	---	---	---	---	---

Net Current Assets

		1	3	6	5	7	8	9
--	--	---	---	---	---	---	---	---

Accumulated Losses

				N	I	L		
--	--	--	--	---	---	---	--	--

IV. Performance of Company (amount in thousands of Rs.)

Turnover

		5	1	3	0	8	9	9
--	--	---	---	---	---	---	---	---

Total Expenditure

		4	9	8	7	1	8	4
--	--	---	---	---	---	---	---	---

Profit Before Tax

		4	5	0	1	6	2
--	--	---	---	---	---	---	---

Profit After Tax

		3	9	1	4	3	2
--	--	---	---	---	---	---	---

Earning per share (Rs.)

				4	.	9	9
--	--	--	--	---	---	---	---

Dividend Rate (%)

							6	0
--	--	--	--	--	--	--	---	---

V. Generic Names of Three Principal Products/Services of the Company. (As per Monetary Terms)

Item Code No.

7	3	1	5	1	1	.	0	0
---	---	---	---	---	---	---	---	---

Product Description

C	H	A	I	N	S			
---	---	---	---	---	---	--	--	--

Item Code No.

4	0	1	0	1	9	.	0	0
---	---	---	---	---	---	---	---	---

Product Description

R	U	B	B	E	R		B	E	L	T
---	---	---	---	---	---	--	---	---	---	---

Item Code No.

7	3	2	6	9	0	.	1	7
---	---	---	---	---	---	---	---	---

Product Description

S	T	E	E	L		F	O	R	G	I	N	G	S
---	---	---	---	---	--	---	---	---	---	---	---	---	---

B. VIJAYAKUMAR
Chairman Cum Managing Director

P. PRABAKARAN
Executive Director

“As per our Report of even date”
For **DELOITTE HASKINS & SELLS**
Chartered Accountants

Coimbatore
22.05.2009

M. LAKSHMI KANTH JOSHI
Company Secretary

C.R. Rajagopal
Membership No.23418
Partner

10 YEAR FINANCIALS

(Rs. in Lakhs)

	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
OPERATING RESULTS										
Sales (Including Excise duty)	17,224.98	19,491.96	20,734.43	25,238.30	29,833.76	40,836.10	46,974.54	53,840.99	61,661.48	56,025.21
Profit before Depreciation										
Interest & Tax	2,193.59	2,426.20	2,498.47	3,149.03	4,099.90	5,533.686	6,083.02	8,434.26	7,507.40	9,040.07
Profit before Interest & Tax	1,541.93	1,698.90	1,635.02	2,089.81	2,848.90	3,910.18	4,129.54	5,918.51	4,612.85	6,970.97
Profit before Tax (PBT)	490.64	780.37	826.38	1,376.01	2,002.68	2,407.06	2,215.01	3,116.29	1,805.25	4,501.62
Profit after Tax (PAT)	365.64	650.37	653.76	954.51	1,361.08	1,649.22	1,359.42	2,296.01	1,486.16	3,914.32
Dividends	78.61	137.56	157.21	216.17	235.82	628.85	235.82	420.70	274.68	470.89
Dividend Tax	8.64	14.03	-	27.70	30.21	84.43	33.07	71.50	46.68	80.03
Retained Profits	278.39	496.78	496.55	710.64	1095.05	935.94	1,090.53	1,803.81	1,164.80	3,363.40
SOURCES AND										
APPLICATION OF FUNDS										
SOURCES OF FUNDS:										
Share Capital	393.03	393.03	393.03	393.03	786.06	786.06	786.06	841.39	784.81	784.81
Reserves & Surplus	5,426.26	5,925.04	5,335.90	6,046.54	6,748.56	7,729.96	8,784.65	12,704.27	13,699.51	13,379.25
Net Worth	5,819.29	6,318.07	5,728.93	6,439.57	7,534.62	8,516.02	9,570.71	13,545.66	14,484.32	14,164.06
Debt	5,875.18	5,488.71	5,184.37	4,952.48	6,007.27	12,790.26	18,381.26	21,323.95	23,664.73	15,154.00
Deferred Tax Liability (Net)	-	-	1,018.31	1,009.81	1,001.41	1,276.76	1,848.02	1,944.80	1,769.89	1,607.19
Funds Employed	11,694.47	11,806.78	11,931.61	12,401.86	14,543.30	22,583.04	29,799.99	36,814.41	39,918.94	30,925.25
APPLICATION OF FUNDS:										
Gross Fixed Assets	9,351.00	10,479.31	11,645.46	13,160.83	15,162.75	19,921.25	28,235.21	33,328.15	38,697.20	28,023.77
Depreciation	3,797.46	4,377.40	5,104.99	6,011.76	7,203.68	8,586.77	10,453.53	12,938.45	15,842.01	12,642.98
Net Fixed Assets	5,553.54	6,101.91	6,540.47	7,149.07	7,959.07	11,334.48	17,781.68	20,389.70	22,855.19	15,380.79
Capital Work-in-Progress	193.66	148.71	91.66	36.76	68.30	2,971.71	1,183.77	2,337.67	1,266.79	394.59
Investments	188.93	168.31	167.99	174.82	669.28	398.19	370.67	212.15	276.03	966.84
Gross Current Assets	8,482.60	8,907.74	9,080.57	10,241.89	12,182.11	16,044.52	21,447.96	26,035.69	28,722.47	27,526.61
Current Liabilities & Provisions	2,765.36	3,547.29	3,962.78	5,200.68	6,335.46	8,175.76	10,984.09	12,160.80	13,201.54	13,868.72
Net Current Assets	5,717.24	5,360.45	5,117.79	5,041.21	5,846.65	7,868.76	10,463.87	13,874.89	15,520.93	13,657.89
Deferred Revenue Expenditure	41.10	27.40	13.70	-	-	9.90	-	-	-	-
Net Assets Employed	11,694.47	11,806.78	11,931.61	12,401.86	14,543.30	22,583.04	29,799.99	36,814.41	* 39,918.94	30,925.25
RATIOS:										
Operating Profit Ratio	12.73%	12.45%	12.05%	12.48%	13.74%	13.55%	12.95%	15.67%	12.18%	16.14%
PBT to Sales (%)	2.85%	4.00%	3.99%	5.45%	6.71%	5.89%	4.72%	5.79%	2.93%	8.03%
Return on Networth (%) (+)	6.28%	10.29%	11.41%	14.82%	18.06%	19.37%	14.20%	16.95%	10.26%	27.64%
Earnings per Share (Rs.)	0.93	1.65	1.66	2.43	1.73	2.10	1.73	2.76	1.84	4.99
Dividend Per Share (Rs.)	0.20	0.35	0.40	0.55	0.30	0.80	0.30	0.50	0.35	0.60
Book Value per share (Rs.)	13.81	15.08	13.58	15.38	8.59	9.83	11.18	15.10	17.46	17.05
Debt Equity Ratio (Times)	1.01	0.87	0.90	0.77	0.80	1.50	1.92	1.57	1.63	1.07
Fixed Assets Turnover (Times)	3.10	3.34	3.28	3.69	3.95	4.23	3.23	2.82	2.85	3.74
Net Working Capital Turnover (Times)	3.01	3.64	4.05	5.01	5.10	5.19	4.49	3.88	3.97	4.10

* Proceeds of Rs. 9442.27 Lakhs from 1% Secured Optionally Convertible Bonds has not been considered for the purpose of calculating ratios

L.G. BALAKRISHNAN & BROS LIMITED

Regd. Office: 6/16/13, Krishnarayapuram Road, Ganapathy, Coimbatore- 641 006.

ECS MANDATE FORM FOR PAYMENT OF DIVIDEND ON EQUITY SHARES

(In case of physical shares - send to our Share Transfer Agent and in case of demat shares- send to your Depository Participant)

1. First Shareholder's Name (in Block Letters) : _____
2. Address : _____
3. Regd. Folio No. (If not Dematerialised) : _____
- D P I D NO : _____
- Client I D No. (If Dematerialised) : _____
4. Particulars of Bank Account
- A. Bank Name : _____
- B. Branch Name & City (Pin Code) : _____
- C. Account No.(as appearing on the Cheque Book) : _____
- D. Account Type (Please tick) : Savings Current Cash Credit
- E. Ledger Folio No. of the Bank A/c. : _____
- F. 9 Digit Code No. of the Bank & Branch appearing on the MICR cheque issued by the bank. :

--	--	--	--	--	--	--	--	--	--
- (Please attach a photocopy of a cheque for verifying the accuracy of the code number)

DECLARATION

I hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information, I would not hold the company responsible. In case of ECS facility not being available for any reason, the account details provided above may be incorporated in the payment instrument.

(Signature of the first Regd.holder)
as per specimen signature with the company

Name : _____

Address : _____

Place: _____

Date : _____ Pin Code _____

Note:

- 1 Kindly fill all the columns. Incomplete forms shall not be entertained.
- 2 In case the scheme does not meet with the desired response or due to any other operational reasons it is found to be unviable, the Company reserves the right to pay dividend by issue of warrants.
- 3 Please send the form to M/s. Cameo Corporate Services Limited, "Subramanian Building" No 1, Club House Road, Chennai- 600 002.

L.G. BALAKRISHNAN & BROS LIMITED

Regd. Office: 6/16/13, Krishnarayapuram Road, Ganapathy, Coimbatore- 641 006.

ADMISSION SLIP

Name of Member		Folio No	
Name of Proxy		No of Shares	

I hereby record my presence at the 53rd Annual General Meeting of the Company held on 10-07-2009 at 10.00 A.M at Ardra Convention Centre, Kaanchan, 9, North Huzur Road, Coimbatore - 641 018.

.....

Signature of Member/Proxy

- Notes :
- Shareholders/Proxies must bring the Admission Slip to the meeting and hand it over at the entrance duly signed.
 - Shareholders are requested to advise their change to address as well as request for consolidation of folio, if any to the above address, quoting folio numbers.



L.G. BALAKRISHNAN & BROS LIMITED

Regd. Office: 6/16/13, Krishnarayapuram Road, Ganapathy, Coimbatore- 641 006.

PROXY FORM

I/We.....Of.....being a Member/Members of L.G. Balakrishnan & Bros Limited, hereby appointoffailing him.....ofas my/our Proxy to attend and vote for me/us on my/our behalf at the 53rd Annual General Meeting of the Company to be held on 10-07-2009 at 10.00 A.M. at Ardra Convention Centre, Kaanchan, 9, North Huzur Road, Coimbatore- 641 018 and any adjournment thereof.

As Witness by my/our hands(s) thisday of2009.

Signed by the said.....

Folio No.	No. of Shares
DP.ID *	Client ID *

Affix Re.1. Revenue Stamp

Applicable to investors holding shares in Electronic Form.

Notes: The proxy form must be returned so as reach the Registered Office of the Company, 6/16/13, Krishnarayapuram Road, Ganapathy, Coimbatore- 641 006 not less than forty-eight hours before the time for holding the aforesaid meeting.