

LGB FORGE LIMITED



**6th
ANNUAL REPORT
2011 - 2012**

Corporate Information

BOARD OF DIRECTORS

Sri. B. Vijayakumar Chairman
Sri. V. Rajvirdhan Executive Director
Sri. K.N.V. Ramani
Sri. P. Shanmugasundaram
Sri. P.V. Ramakrishnan
Sri. Rajiv Parthasarathy
Sri. Harsha Lakshmikanth

COMPANY SECRETARY

Sri. A. James Chandra Mohan

AUDITORS

M/s. Haribhakti & Co.
Chartered Accountants
“Shree Shanmugappriya”, 2nd Floor,
454, Ponnaiyan Street, Cross Cut Road,
Gandhipuram, Coimbatore - 641012.
Phone : 0422 - 2237793, 2238793

COST AUDITOR

Dr. G.L. Sankaran

BANKERS

Andhra Bank
Axis Bank Limited
Corporation Bank
ICICI Bank Limited
IDBI Bank Limited
Yes Bank Limited

**STOCK EXCHANGES WHERE COMPANY'S
SECURITIES ARE LISTED.**

Bombay Stock Exchange Ltd.
National Stock Exchange of India Ltd

REGISTRAR AND SHARE TRANSFER AGENTS

Cameo Corporate Services Limited
“Subramanian Building”
No.1, Club House Road,
Chennai- 600 002.
Phone : 044 28460390

REGISTERED OFFICE

6/16/13, Krishnarayapuram Road,
Ganapathy, Coimbatore - 641 006.
Phone : 0422 2532325

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6th ANNUAL GENERAL MEETING

Date	: 9th July, 2012
Day	: Monday
Time	: 09.15 A.M.
Venue	: Ardra Convention Centre Kaanchan, 9, North Huzur Road Coimbatore- 641 018.
Book Closure Dates	: 02.07.2012 to 09.07.2012 (Both days inclusive)

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

NOTICE

Notice is hereby given that the Sixth Annual General Meeting of the Members of the Company will be held on Monday the 9th day of July, 2012 at 09.15 A.M at Ardra Convention Centre, Kaanchan, 9, North Huzur Road, Coimbatore - 641 018, to transact the following businesses:

AGENDA**ORDINARY BUSINESS**

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2012 and the Profit and Loss Account for the year ended on that date and the Report of the Directors and the Auditors thereon.
 2. To appoint a Director in the place of Sri. P. Shanmugasundaram, who retires by rotation, and being eligible, offers himself for reappointment.
 3. To appoint a Director in the place of Sri. P.V. Ramakrishnan, who retires by rotation, and being eligible, offers himself for reappointment.
 4. To re-appoint Messrs. Haribhakti & Co, Chartered Accountants as Auditors, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.
- NOTES:**
1. **EVERY MEMBER ENTITLED TO ATTEND AND VOTE AT A MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
 2. **THE INSTRUMENT APPOINTING THE PROXY MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
 3. Pursuant to Clause 49 of the Listing Agreement additional information on directors seeking appointment / re-appointment at the Annual General Meeting is provided in the Annual Report.
 4. The Register of Members and the Share Transfer Books of the Company will remain closed from 02.07. 2012 to 09.07.2012 (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 who are holding shares more than one folio under physical form may approach the Company's Share Transfer Agent for consolidation with respective details.
 7. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat account(s). Members holding shares in physical form can submit their PAN details to the Registrar and Share Transfer Agent.
 8. The Ministry of Corporate Affairs has taken a Green Initiative in Corporate Governance by issuing circulars allowing paperless compliances by Companies through electronic mode. The Shareholders can now receive various notices and documents through electronic mode by registering their e-mail addresses with the Company. Shareholders who have not registered their e-mail address with the Company can now register the same by submitting duly filled - in-E-Communication Registration Form enclosed at the end of this report. The Members holding shares in electronic form are requested to register their email addresses with their Depository Participants only. Even



after registering for E-Communication the shareholders of the Company are entitled to receive such communication in physical form, upon request.

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 the 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
28.04.2012

By Order of the Board,
A. JAMES CHANDRA MOHAN
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. P. SHANMUGASUNDARAM	Sri. P.V. RAMAKRISHNAN
Date of Birth	10.08.1948	05.01.1959
Date of Joining the Board	04.04.2008	04.04.2008
Qualification	B.Com., LLB., FCA.,	B.E.,
Expertise in functional areas	Vast and rich experience in Finance, Accounts and Taxation	More than 20 years as Industrialist
Shareholding in LGBFL	- NIL -	- NIL -
Other Directorship Held	L.G. Balakrishnan & Bros Limited	Palani Vijay Cottspin Private Limited
	Sabare International Limited	Mikrosen Control Devices Private Limited
	DSM Soft Private Limited	
Other Committee Membership	Audit Committee Chairman	
	L.G. Balakrishnan & Bros Limited	
	Sabare International Limited	

DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure in presenting the 6th Annual Report of your Company together with the audited accounts for the year ended 31st March, 2012.

FINANCIAL RESULTS:

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

Particulars	31.03.2012 (₹ in Lakhs)	31.03.2011 (₹ in Lakhs)
Gross Income	14,070.32	13,923.56
Profit before Interest, Depreciation & Tax	1,509.66	1,221.51
Less:		
Interest	1,023.31	1,031.58
Depreciation	1,016.12	1,052.24
Profit/ (Loss) Before Tax	(529.77)	(862.31)
Less: Short provision for Income Tax earlier years	-	-
Profit / (Loss) After Tax	(529.77)	(862.31)
Add : Balance brought forward	(3,340.66)	(2,478.35)
Amount transferred to Balance Sheet	(3,870.43)	(3,340.66)

DIVIDEND

In view of the losses, current and accumulated, your Directors regret their inability to recommend dividend for the year 2011-2012.

PERFORMANCE OF THE COMPANY

During the year under review, your Company's gross revenue is ₹ 14070.32 Lakhs [Previous Year: ₹ 13923.56 Lakhs]. Gross Profit / (Loss) before interest, depreciation and tax amounted to ₹ 1509.66 Lakhs [Previous Year ₹ 1221.51 Lakhs]. The Net Loss came to ₹ 529.77 Lakhs [Previous Year ₹ 862.31 Lakhs]. The major contributories to Net Loss in the financial year under review were due to the major increase in raw material prices, shortage of power, high cost of interest and inability to pass on the increase to our customers.

ENHANCEMENT OF SHARE CAPITAL OF THE COMPANY

During the year under review, the Authorised Share Capital of the Company has been enhanced from ₹ 17 Crores to ₹ 20 Crores consisting of ₹ 17 Crores of Equity Shares of ₹ 1/- each and ₹ 3 Crores consisting of 3 Lakhs Redeemable Preference Shares of ₹ 100/- each.

The Company has issued 5,00,00,517 Equity Shares of ₹ 1/- each at a premium of ₹ 1.75 per share on Rights

basis in the ratio of one share for every two shares held by the shareholders to augment ₹ 13.75 crores to strengthen the net-worth of the Company and to reduce borrowings to some extent by way of infusion of equity capital.

The equity capital infused will be utilized for part repayment of unsecured loans, working capital loans and to meet the issue expenses.

The issue received satisfactory response from investors. Your Directors appreciate the confidence reaffirmed by the investors with the Company.

LISTING

The Securities of your Company are listed with the National Stock Exchange of India Limited and Bombay Stock Exchange Limited, and pursuant to Clause 38 of the Listing Agreement, the Annual Listing fees for the year 2012-2013 have been paid to them well before the due date i.e. April 30, 2012. The Company has also paid the annual custodian fees to NSDL & CDSL for the Securities of the Company held in dematerialized mode with them for the year 2012-2013

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company,



Sri.P.Shanmugasundaram and Sri.P.V.Ramakrishnan are liable to retire by rotation and are eligible for re-appointment.

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

PUBLIC DEPOSITS

The amount of Fixed Deposit available with the Company as on 31st March 2012 is Rs.50 lakhs/- (Rupees Fifty Lakhs Only)

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.

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.

AUDITORS

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

COST ACCOUNTING RECORDS

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

PARTICULARS OF EMPLOYEES

None of the employees of the Company was in receipt of remuneration in excess of the limits prescribed under

Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended.

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, 2012 and of the profit of the Company for the year ended on that date.
- ❖ that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- ❖ that the annual accounts have been prepared on going concern basis.

ACKNOWLEDGEMENT

Your Directors wish to place on record their sincere thanks to the valued Customers, Suppliers and Banks for their support, co-operation and guidance and also wish to place on record appreciation of the committed services rendered by all the employees of the Company. Your Directors would also like to thank all the shareholders for their continued confidence in the Company.

By Order of the Board

Coimbatore
28.04.2012

V. RAJVIRDHAN
Executive Director

P. SHANMUGASUNDARAM
Director

ANNEXURE TO DIRECTORS' REPORT
INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956
A. CONSERVATION OF ENERGY

Various energy conserving/saving measures at all points of Conservation of Energy is an ongoing process and the Company has taken the appropriate steps to save the energy wherever possible.

FORM A
Current Year 2011-2012
Previous year 2010-2011

A. POWER AND FUEL CONSUMPTION	Current Year 2011-2012			Previous year 2010-2011		
	Forging Mysore	Forging Coimbatore	Forging Coimbatore (CFD)	Forging Mysore	Forging Coimbatore	Forging Coimbatore (CFD)
1) Electricity						
a) Purchased						
Units in Lakhs	57.61	14.15	15.53	51.30	26.73	15.87
Total Amount in ₹ in Lakhs	339.78	97.07	79.78	282.30	198.17	78.15
Rate per unit in ₹	5.90	6.86	5.14	5.50	7.41	4.92
b) Own Generation						
i) Through Diesel Generator						
Units in Lakhs	Nil	1.81	6.51	Nil	7.78	7.58
Units per Litre of Diesel oil	Nil	2.52	3.36	Nil	2.64	2.77
Cost per Unit ₹	Nil	17.58	13.39	Nil	14.37	14.39
ii) Through Windmill						
Generation						
Units in Lakhs	Nil	12.60	Nil	Nil	11.81	Nil
Total amount in ₹ in lakhs	Nil	50.40	Nil	Nil	44.52	Nil
Cost per Unit in ₹	Nil	4.00	Nil	Nil	3.77	Nil
iii) Furnace Oil						
Qty.(K.Ltrs)	514.45	Nil	51.02	603.75	Nil	51.19
Total amount in ₹ in lakhs	197.96	Nil	18.65	173.55	Nil	13.89
Rate per K. Ltr (₹)	38.48	Nil	36.55	28.75	Nil	27.14
iv) Others:- Fuel Oil						
Qty.(K.Ltrs)	337.68	Nil	Nil	347.18	Nil	Nil
Total amount in ₹ in lakhs	190.97	Nil	Nil	159.35	Nil	Nil
Rate per K. Ltr (₹)	56.55	Nil	Nil	45.90	Nil	Nil

**FORM B****1. RESEARCH & DEVELOPMENT**

a) Specific areas in which R & D is carried out by the Company	a. Process Engineering b. Tool Design
b) Benefits derived as a result of the above R & D	Lower consumption of RM, Tool, power
c) Future plan of Action :	Finalizing & implementing existing designs for all applicable parts
d) Expenditure on R & D i) Capital ii) Recurring iii) Total R & D Expenditure iv) Total R & D expenditure as a % to total Turnover.	- ₹ 13.48 Lakhs ₹ 13.48 Lakhs 0.10%

2. TECHNOLOGY, ABSORPTION, ADAPTATION AND INNOVATION

a) Efforts, in brief, made towards technology absorption, adaptation and innovation	R & D activities
b) Benefits derived as a results of the above efforts e.g., Product improvement, cost reduction, import substitution etc.	Lower RM consumption
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.	NIL

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange earned through Exports amount to	: ₹ 1,420.22 Lakhs
Foreign Exchange used	: ₹ 96.52 Lakhs

By Order of the Board

Coimbatore
28.04.2012**V. RAJVIRDHAN**
Executive Director**P. SHANMUGASUNDARAM**
Director

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT
INDUSTRY STRUCTURE AND DEVELOPMENT.**

Over the last year, the Company has seen vibrancy in its overall operational performance. Despite the discontinuation in the manufacture of a number of products, the Company has resulted with similar turnover in comparison to the previous financial year and better operating profit margins. The backlog in performance in comparison to previously stipulated conclusions is due to problems that persist that is not in the control of the Company - the power situation.

In view of the worsening condition in power supply in the state of Tamil Nadu most of the forging machines have been moved and relocated in the plant in Mysore. This un-expected movement poses a heavy burden in the company's financials. Nevertheless, the Company is taking all necessary steps to ensure that the financial performance for the year 2012 - 2013 is improved. The cold forging plant continues to remain in the state of Tamil Nadu and continues to be exposed to the fluctuations of the power supply.

OPPORTUNITIES

The Indian Forging industry has now emerged as a major contributor to the manufacturing sector of the Indian economy. The 12th Five year plan promises high growth for industry segments like power generation, petrochemical and ship building industries which will in turn generate a demand for heavy forged components. Based on this growth, demand for Indian forged components is predicted to rise up to 4.9mn tons by 2015-16. To meet this demand your Company has been strenuously working to ensure that this opportunity is converted into profitable growth by including non-auto components in their product portfolio to capitalize on the growing demand in the non-auto forging segment.

THREATS AND RISK & CONCERNS

The power situation in Tamil Nadu as well as in the country as a whole poses a great threat and is of concern to the Company. Further increases in the frequency of power cuts, or quality of power, has the potential to affect the Cold Forging operations in the Company thereby affecting our financials.

Dark clouds loom on the horizon - rising interest rates, persistent inflation, spiraling fuel prices, the frequency in

the fluctuation of raw material prices and depreciating rupee against other currencies. Double-digit inflation continues to be an area of concern, despite monetary tightening policy.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has adequate internal control systems to monitor internal business process, financial reporting and compliance with applicable laws. The Company periodically reviews the adequacy and effectiveness of the control systems. The Audit Committee at their meetings regularly reviews the significant observations of the compliance and other monitoring reports. The heads of various monitoring / operating cells and statutory auditors are invited to attend the Audit Committee meetings

HEALTH, SAFETY, SECURITY ENVIRONMENT

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

HUMAN RESOURCES / INDUSTRIAL RELATIONS

Employer - employee relations continued to remain cordial during the year. Training and development of employees continue to be an area of prime importance. The devotion and commitment of our employees has enabled the Company to fulfill its targets and deadlines in time. The total number of people employed in the Company as on 31st March 2012 was 425.

RISK MANAGEMENT.

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

CAUTIONARY STATEMENT

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

By Order of the Board

V. RAJVIRDHAN

Executive Director

Coimbatore
28.04.2012

CORPORATE GOVERNANCE
1. Company's Philosophy on Code of Governance

LGB Forge believes in maximizing shareholders values by adopting transparent practices and high standards of Corporate Conduct towards stakeholders.

2. Board of Directors

The Board of Directors consists of professionals drawn from diverse fields. The day-to-day management of the Company is conducted by the Executive Director subject to the supervision and control of the Board of Directors.

Attendance of each Director at the Board Meetings and the last Annual General Meeting (AGM)

Name of the Directors	Category	Attendance Particulars		@ No of Other Directorship held in Public Companies	* No. of Board Committee Memberships/Chairmanships held		Relationship interse Directors
		Board Meeting	Last AGM		Member	Chairman	
Sri. B. Vijayakumar Chairman	Non- Executive Promoter	6	Yes	7	3	-	Father of Sri. V. Rajvirdhan
Sri. V. Rajvirdhan Executive Director	Executive Promoter	6	Yes	4	1	-	Son of Sri. B. Vijayakumar
Sri. K.N.V. Ramani	Non- Executive Independent	6	No	7	2	3	
Sri. P.Shanmugasundaram	Non- Executive Independent	6	Yes	2	-	3	
Sri.P.V.Ramakrishnan	Non- Executive Independent	5	Yes	-	1	1	
Sri. Harsha Lakshmikanth	Non- Executive Independent	5	Yes	1	1	-	
Sri. Rajiv Parthasarathy	Non- Executive Non-Independent	4	Yes	1	1	-	Sri. B. Vijayakumar's Daughter's Husband

@ Exclude Directorship in Private Companies and Foreign Companies.

* Only Audit Committee and Investors Grievance Committee are considered.

Details of the Board meetings held during the Financial Year 2011-2012

The Board met six times during the Financial Year 2011-2012 on 29th April, 2011, 28th July, 2011, 9th September, 2011, 30th September, 2011, 31st October, 2011, and 3rd February, 2012.

3. Audit Committee

The terms of reference of this Committee has been mandated with the same as specified in Clause 49 of the Listing Agreements with Stock Exchanges. The terms of reference also fully conform to the requirements of Section 292A of the Companies Act, 1956.

During the financial year ended 31st March 2012, four Audit Committee Meetings were held on 28th April, 2011, 27th July, 2011, 29th October 2011 and 02nd February, 2012. The necessary quorum was present at these meetings.

Composition

The composition of Audit Committee and details of meeting attended by the members are as follows :

Name of the Member	Category	Designation	No of Meetings attended
Sri. P. Shanmugasundaram	Independent	Chairman	4
Sri. P.V. Ramakrishnan	Independent	Member	2
Sri. Rajiv Parthasarathy	Non-Independent	Member	3
Sri. Harsha Lakshmikanth	Independent	Member	3

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

Sri. A. James Chandra Mohan, Company Secretary, acted as Secretary to the Committee. The Audit Committee would assure to the Board, compliance of adequate internal control system and financial disclosure and other issues confirming to the requirements specified by Company Law and Stock Exchanges in terms of Listing Agreement. The Minutes of the Audit Committee Meetings were circulated to the Board, where it was discussed and taken note of. The Audit Committee considered and reviewed the accounts for the year 2011- 2012, before it was placed in the Board.

4. Remuneration Committee

This Committee was formed for determining remuneration payable to Executive Directors and it consists of the following Non-Executive Directors:

Name of the Member	Category	Status
Sri. K.N.V. Ramani	Independent	Chairman
Sri. P.Shanmugasundaram	Independent	Member
Sri. P.V. Ramakrishnan	Independent	Member

During the year ended 31st March, 2012 no meeting of this committee was held.

Remuneration Policy

The Executive Director is paid remuneration approved by the Board of Directors on the recommendation of Remuneration Committee. The remuneration so approved is subject to the approval by the shareholders at the general meeting and such other authorities as the case may be.

The Company currently does not have any stock option scheme.

Details of Remuneration paid to Directors during the financial year 2011-2012:

a) Remuneration paid/payable to the Executive Director for the financial year ended March 31, 2012 is given as under :

Name	Salary and perquisites ₹ in Lakhs	Service Contract
Sri. V. Rajvirdhan, Executive Director	16.80	Appointed for a period of 3 years as Executive Director with effect from 01.02.2010

Remuneration includes salary, Company's contribution to Provident Fund.

b) Remuneration paid/payable to the Non-Executive Directors for the financial year ended March 31, 2012 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 (₹)
Sri. B. Vijayakumar	24,000
Sri. K.N.V. Ramani	24,000
Sri. P. Shanmugasundaram	28,000
Sri. P.V. Ramakrishnan	22,000
Sri. Harsha Lakshmikanth	23,000
Sri. Rajiv Parthasarathy	19,000
Total	1,40,000

c) Statement showing number of Equity Shares of ₹ 1/- each of the Company held by the present Non- Executive Directors as on March 31, 2012 :

Name	No. of shares held as on 31.03.2012	% of Holding
Sri. B. Vijayakumar	11,632,200	11.63
Sri. K.N.V. Ramani	-	-
Sri. P. Shanmugasundaram	-	-
Sri. P.V. Ramakrishnan	-	-
Sri. Harsha Lakshmikanth	-	-
Sri. Rajiv Parthasarathy	10	-

There has been no materially relevant precuniary 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. P.V. Ramakrishnan	Independent	Chairman
Sri. B. Vijayakumar	Non Executive Promoter	Member
Sri. V. Rajvirdhan	Executive Promoter	Member

The Committee deals in matters relating to transfer and transmission of Securities, issue of duplicate Securities certificates and looks into the Shareholders / Investor complaints, if any, on transfer of Securities, non-receipt of dividend, annual report etc. During the year under review, the Committee met 12 times to deliberate on various matters referred above and also responsible for redressal of investors complaints.

Sri.A.James Chandra Mohan, Company Secretary, acts as the Secretary to the Committee. He is the Compliance Officer of the Company and also responsible for redressal of investors complaints.

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 AGMs are given as under

Year	Date	Time	Location	Special Resolution Passed
2009	10.07.2009	3.30 P.M.	Ardra Convension Centre Kaanchana, 9, North Huzur Road Coimbatore- 641018	The Company has passed Special Resolution approving the appointment of Sri Arjun Karivardhan to hold an office of place of profit as an employee of the Company.
2010	14.06.2010	8.30 A.M.	Ardra Convension Centre Kaanchana, 9, North Huzur Road Coimbatore- 641018	Appointment of Sri. V. Rajvirdhan as the Executive Director for a period of 3 years.
2011	15.06.2011	9.15 A.M.	Ardra Convension Centre Kaanchana, 9, North Huzur Road Coimbatore- 641018	Nil

8. Disclosures
(i) Related Party Transactions

In terms of the Accounting Standard - 18 "Related Party Disclosures", as notified under the Companies (Accounting Standards) Rules, 2006, the Company has identified the related parties covered therein and details of transactions with such related parties have been disclosed in Note 29 - Notes to the Accounts forming part of this Annual Report.

The Company has not had any transactions of material nature with the Directors and / or their relatives, promoters, management during the year ended on March, 31, 2012 that may have conflict with the interests of the Company.

(ii) Compliances by the Company

The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters related to capital markets during the last three years. No penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authorities relating to the above.

(iii) Code of Conduct for Directors and Senior Management

The Board of Directors of the Company has adopted a Code of Conduct for Directors and Senior Management and the same is posted on the website of the Company.

(iv) CEO / CFO certification

Executive Director of the Company have certified to the Board with regard to the compliance made by them in terms of Clause 49 (V) of the Listing Agreement, a certificate forms part of Annual Report.

(v) Accounting treatment

The financial statements are prepared under the historical cost convention and have been prepared in accordance with applicable Accounting Standards and relevant presentational requirements of the Companies Act, 1956.

(vi) Risk Management

The Company has established a comprehensive risk management process that includes risk identification, risk assessment, risk mitigation and periodical monitoring.

As part of the Risk Management Mechanism, identified risks are regularly reviewed along with action plans by the Management through monthly business review meetings. These are reported to the Board of Directors on the yearly basis for the inputs and further suggestions for effective management of risks.

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 Senior Level Management and Report any matter of concern.

10. Means of Communication

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.

(i) Quarterly and Half-yearly financial results

The Quarterly, Half yearly and Annual Results of the Company are available on the website of the Company www.lgbforge.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.

(ii) Official News Releases:

Official news releases are made whenever it is considered necessary.

(iii) The presentation made to Institutional investors or to the analysts

There were no specific presentation made to the investors or analysts during the year.

11. Shareholder Information :

a. Annual General Meeting is proposed to be held at 9.15 A.M. on 9th July, 2012 at Ardra Convention Centre, Kaanchan, 9, North Huzur Road, Coimbatore- 641 018.

b. Financial Calendar

Financial Year : April to March

For the year ended 31st March 2012, results were announced on 28.04.2012.

Financial Year - 2012-13

Quarter ending June 2012 - End of July 2012

Quarter ending September 2012 - End of October 2012

Quarter ending December 2012 - End of January 2013

Year ended 31-03-2013 - End of April 2013

c. Date of Book Closure - 02.07.2012 to 09.07.2012 (both days inclusive)

- d. Listing on Stock Exchanges - Bombay and National Stock Exchanges.
- e. Securities Code - Bombay Stock Exchange Ltd. Equity 533007
- The National Stock Exchange of India Ltd. - LGBFORGE
- f. ISIN Number - Equity : INE201J01017

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

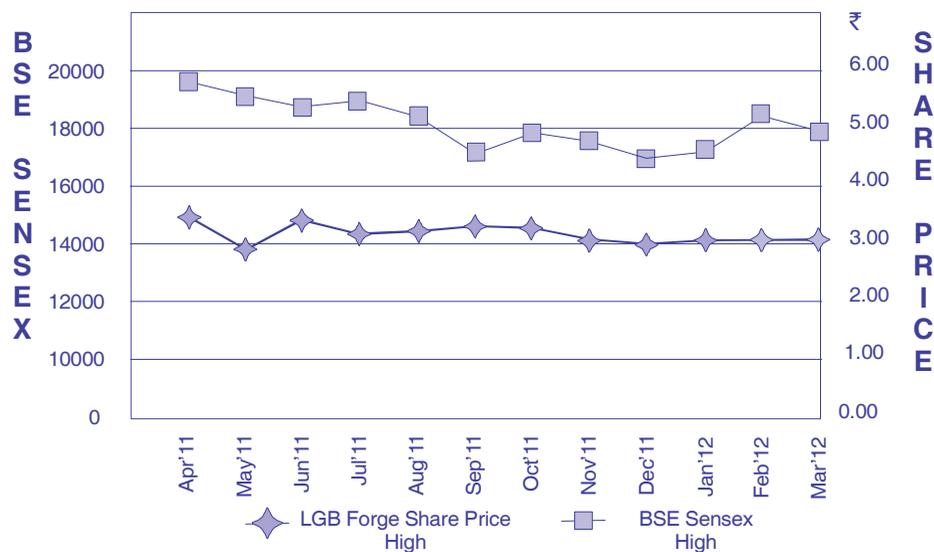
The Company has paid Annual Listing Fees to Bombay Stock Exchange Limited and The National Stock Exchange of India Limited .

- g. Stock market price data for the year 2011-2012

The high and low prices during each month in the last financial year on National Stock Exchange of India Limited and Bombay Stock Exchange Limited are given below - Equity Shares

	National Stock Exchange		Bombay Stock Exchange	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April - 2011	3.50	2.65	3.49	2.70
May	2.95	2.20	2.92	2.06
June	3.40	2.50	3.45	2.54
July	3.35	2.55	3.20	2.51
August	3.15	2.00	3.25	2.05
September	3.35	2.40	3.34	2.42
October	3.20	2.60	3.30	2.50
November	3.10	2.50	3.10	2.52
December	2.95	2.45	3.02	2.50
January - 2012	3.05	2.50	3.09	2.50
February	3.05	2.50	3.09	2.55
March	3.35	2.50	3.10	2.50

Note: The Face Value is ₹1/-



h. Distribution of Shareholding as on 31st March, 2012.

Range	No. of Holders	No. of Shares	% of Shares
1 - 100	4255	292,714	0.29
101 - 500	5977	1,964,130	1.96
501 - 1000	2689	2,327,766	2.33
1001 - 2000	1628	2,562,572	2.56
2001 - 3000	570	1,485,177	1.49
3001 - 4000	362	1,305,749	1.31
4001 - 5000	247	1,187,252	1.19
5001 - 10000	536	4,022,819	4.02
10001 - and above	508	84,852,855	84.85
Total	16,772	100,001,034	100.00

i. Pattern of Shareholding :

Sl. No.	Category	No. of Share holders	No. of Shares held	% to paid-up capital
1	Promoters and promoters group	17	55,380,414	55.38
2	Financial Institutions, Banks	2	16,020	0.02
3	Insurance Companies	1	135,960	0.13
4	Foreign Institutional Investors / NRI / OCB	81	5,849,392	5.85
5	Bodies Corporate	322	1,874,810	1.88
6	Public	16,349	36,744,438	36.74
	Total	16,772	100,001,034	100.00

j. Dematerialization of Shares as on 31st March, 2012.

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	84,356,274	84.35
Central Depository Services (India) Limited	5,251,137	5.26
Physical	10,393,623	10.39
Total	100,001,034	100.00

k. Registrar & Transfer Agents

(For share transfers and other communications 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

l. Compliance Officer details

A. James Chandra Mohan,
Company Secretary
6/16/13, Krishnarayapuram Road,
Ganapathy Post, Coimbatore- 641 006
Phone : 0422 - 3911212 Fax : 0422 - 3911163 E-Mail : a.james@lgb.co.in

m. Share Transfer system

The share transfers are registered and returned within a period of 15 days of receipt if documents are in order. All requests for dematerialization of shares 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.

n. Outstanding GDRs / ADRs / Warrants or any Convertible Instruments, Conversion date and likely impact on equity.

-Nil-

o. Consolidation of folios and avoidance of multiple mailing

In order to enable the Company to reduce costs and duplicity of efforts for investors servicing, members who may have more than one folio in their individual name or jointly with other persons mentioned in the same order, are requested to consolidate all similar holdings under one folio. This would help in monitoring the folios more effectively. Members may write to the Registrars at the address given at Para (11), indicating the folio numbers to be consolidated.

p. 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, 2012.

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

q. 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.

r. Address for Correspondence :

All correspondences should be addressed to:

A. James Chandra Mohan,
Company Secretary
6/16/13, Krishnarayapuram Road, Ganapathy Post, Coimbatore- 641 006
Phone : 0422 - 3911212 Fax : 0422 - 3911163 E-Mail : a.james@lgb.co.in

12. Declaration on Code of Conduct.

To

The Members of LGB Forge 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 personnel including me, have affirmed compliance to their respective Codes of Conduct, as applicable for the Financial Year ended 31st March, 2012.

Coimbatore
28.04.2012

V. RAJVIRDHAN
Executive Director



**CERTIFICATION BY THE EXECUTIVE DIRECTOR FOR THE FINANCIAL STATEMENTS
OF THE COMPANY**

I, V. Rajvirdhan, Executive Director, to the best of my knowledge and belief, certify that:

- a) I have reviewed the financial statements and Cash Flow Statement for the year ended March, 31, 2012 and 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 statement 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) to the best of my knowledge and belief, no transactions entered into by the Company during the year ended March, 31, 2012 are fraudulent, illegal or in violation of the Company's Code of Conduct.
- c) I accept responsibility for establishing and maintaining internal controls for financial reporting and I have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which I am aware, have been disclosed to the Auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
- d) I have indicated to the Auditors and Audit Committee that :
- (i) there have not been any significant changes in internal controls over financial reporting during the year ended March, 31, 2012;
 - (ii) there have not been any significant changes in accounting policies during the year ended March, 31, 2012 and that the same have been disclosed in the notes to the financial statements; and
 - (iii) there has not been any instance during the year ended March, 31, 2012 of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Coimbatore
28.04.2012

V. RAJVIRDHAN
Executive Director

CERTIFICATE ON CORPORATE GOVERNANCE

The Members of LGB Forge Limited

We have examined all the relevant records of LGB Forge Limited ("the Company") for the purpose of certifying compliance of the conditions of the Corporate Governance under Clause 49 of the Listing Agreement with the Stock Exchanges for the financial year ended 31.03.2012. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of certification.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to the procedure and implementation process adopted by the Company for ensuring the compliance of the conditions of the corporate governance. This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

In our opinion and to the best of the information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the aforesaid Listing Agreement.

P. ESWARAMOORTHY

Partner,
VEV and Co, Company Secretaries
No.60A, School Road, Krishnasamy Nagar,
Ramanathapuram, Coimbatore-641045
FCS No.6510 C.P No. 7069

Place : Coimbatore
Date : 28.04.2012

AUDITORS' REPORT

To

The Members of LGB Forge Limited, Coimbatore.

1. We have audited the attached Balance Sheet of LGB Forge Limited ('the Company') as at March 31, 2012 and also the statement of Profit and Loss account and the Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
 2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.
 3. As required by the Companies (Auditor's Report) Order, 2003, (as amended), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act'), and on the basis of such checks of books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give 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 paragraph 3 above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii. 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;
 - iii. The Balance Sheet, statement of Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the Balance Sheet, statement of Profit and Loss Account and Cash Flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - v. On the basis of the written representations received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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, 2012;
 - b) in the case of the statement of Profit and Loss Account, of the loss for the year ended on that date; and
 - c) in the case of Cash Flow statement, of the cash flows for the year ended on that date.

Coimbatore
28.04.2012

For **Haribhakti & Co.**
Firm Registration No. 103523W
Chartered Accountants
C.S. SATHYANARAYANAN
Membership No. 028328
Partner

ANNEXURE TO THE AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of **LGB Forge Limited** on the financial statements for the year ended 31.03.2012]

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All the fixed assets have been physically verified by the management in accordance with phased programme of verification, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
- (ii) (a) The inventory has been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification carried out during the year.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions stated in paragraph 4 (iii)(b),(c) and (d) of the order are not applicable.
- (b) During the year the Company has taken unsecured loans from various persons covered in the register maintained under Section 301

of the Companies Act, 1956. Details are given below:

Particulars	Amount ₹ in Lakhs	No.of Persons
Opening during the year	962.67	8
Receipts during the year	-	-
Repayment during the year	114.33	4
Closing during the year	848.34	6

- (c) In our opinion, the terms and conditions in respect of loans taken by the company are prima facie not prejudicial to the interest of the Company.
- (iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct weakness in internal control system of the Company.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered into the register maintained under Section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are 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 58A 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. According to the information and explanations given to us, no Order has been passed by the Company Law

- Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of accounts maintained by the Company pursuant to the order made by the Central Government for the maintenance of cost records under section 209(1)(d) of Companies Act, 1956, and are of the opinion that prima facie, the prescribed records have been maintained. However, we have not made a detailed examination of the records with a view to determine whether they are accurate.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanation given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- (x) In our opinion, the accumulated losses of the Company are more than fifty percent of its net worth. Further, the Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans & advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- (xvi) In our opinion, the term loans have been applied for the purpose for which the loans were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to the information and explanation given to us, the Company has not made any preferential allotment of shares to parties and Companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, no debentures have been issued by the Company during the year.
- (xx) The Company has not raised money by way of public issue during the year.
- (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For **Haribhakti & Co.**

Firm Registration No. 103523W

Chartered Accountants

C.S. SATHYANARAYANAN

Membership No. 028328

Partner

**BALANCE SHEET AS AT 31st MARCH, 2012**

Particulars	Note No.	AS AT 31.03.2012 (₹ in lakhs)	AS AT 31.03.2011 (₹ in lakhs)
I EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share Capital	2	1,000.01	1,000.01
(b) Reserves & Surplus	3	(971.58)	(441.81)
2 Non-current liabilities			
(a) Long-term borrowings	4	3,848.19	1,499.92
3 Current liabilities			
(a) Short-term borrowings	5	2,817.22	2,781.09
(b) Trade payables		1,473.66	1,883.80
(c) Other current liabilities	6	782.22	3,151.65
Total		<u>8,949.72</u>	<u>9,874.66</u>
II. ASSETS			
Non-current assets			
1 (a) Fixed assets	7		
(i) Tangible assets		4,246.88	5,043.23
(ii) Intangible assets		10.19	16.98
(iii) Capital Work-in-progress		11.72	-
(b) Long-term loans and advances	8	134.88	170.85
2 Current assets			
(a) Inventories	9	1,777.78	1,857.15
(b) Trade receivables	10	2,584.46	2,504.94
(c) Cash and cash equivalents	11	22.57	44.40
(d) Short-term loans and advances	12	161.24	237.11
Total		<u>8,949.72</u>	<u>9,874.66</u>
Summary of Significant accounting policies	1		

The accompanying notes are an integral part of the financial statements.

V. RAJVIRDHAN
Executive Director

Coimbatore
28.04.2012

P. SHANMUGASUNDARAM
Director

A. JAMES CHANDRA MOHAN
Company Secretary

“As per our Report of even date”
For **Haribhakti & Co.**

Firm Registration No. 103523W
Chartered Accountants

C.S. SATHYANARAYANAN
Membership No. 028328
Partner

**STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2012**

Particulars	Note No.	YEAR ENDED	YEAR ENDED
		31.03.2012	31.03.2011
		₹ in lakhs	₹ in lakhs
I Income			
Revenue from Operations (Gross)	13	13,858.96	13,875.34
Less: Excise duty		1,146.07	1,120.09
Revenue From Operations (Net)		12,712.89	12,755.25
II Other income	14	211.36	48.22
III Total Revenue (I + II)		12,924.25	12,803.47
IV Expenses:			
a. Cost of materials consumed	15	6,422.91	6,881.97
b. Changes in inventories of Finished goods and Work-in-progress	16	28.83	(49.49)
c. Employee benefits expense	17	1,086.47	1,004.91
d. Finance costs	18	1,023.31	1,031.58
e. Depreciation and amortization expense	7	1,016.12	1,052.24
f. Other expenses	19	3,876.38	4,275.21
Total Expenses		13,454.02	14,196.42
V Profit before exceptional and extraordinary items and tax (III-IV)		(529.77)	(1,392.95)
VI Exceptional items		-	530.64
VII Profit before extraordinary items and tax (V - VI)		(529.77)	(862.31)
VIII Extraordinary Items		-	-
IX Profit before tax (VII- VIII)		(529.77)	(862.31)
X Tax expense:			
(1) Current tax		-	-
(2) Deferred tax		-	-
XI Profit (Loss) for the period from continuing operations (IX-X)		(529.77)	(862.31)
XII Profit/(loss) from discontinuing operations		-	-
XIII Tax expense of discontinuing operations		-	-
XIV Profit/(loss) from discontinuing operations (after tax)		-	-
XV Profit (Loss) for the period (XI + XIV)		(529.77)	(862.31)
XVI Earnings per equity share:	20		
(1) Basic		(0.53)	(0.86)
(2) Diluted		(0.53)	(0.86)

The accompanying notes are an integral part of the financial statements.

V. RAJVIRDHAN
Executive Director

P. SHANMUGASUNDARAM
Director

Coimbatore
28.04.2012

A. JAMES CHANDRA MOHAN
Company Secretary

“As per our Report of even date”
For Haribhakti & Co.

Firm Registration No. 103523W
Chartered Accountants

C.S. SATHYANARAYANAN
Membership No. 028328
Partner

Notes to Financial Statements for the year ended 31st March 2012**Note 1.****SUMMARY OF SIGNIFICANT ACCOUNTING POLICES****i. Accounting Convention**

The financial statements have been prepared under Historical Cost Convention on the basis of going concern and in accordance with the accounting standards referred to in Section 211 (3C) of the Companies Act, 1956, wherever applicable.

ii. Fixed Assets & Depreciation

a) Fixed Assets are stated at original cost net of tax / duty credits availed, if any, less accumulated depreciation, accumulated amortization and cumulative impairment. Costs include pre-operative expenses and all expenses related to acquisition and installation of the assets concerned.

b) Own manufactured assets are capitalized at cost including an appropriate share of overheads.

c) 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.

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

d) As at each balance sheet date, the carrying amount of assets is tested for impairment so as to determine;

i) the provision for impairment loss, if any, required or;

ii) the reversal, if any, required for impairment loss recognised in previous periods. Impairment loss is recognised when the

carrying amount of an asset exceeds its recoverable amount.

iii. Valuation of Inventories

a) Inventories are valued at lower of cost and estimated net realizable value. Cost is arrived at on weighted average basis.

b) Excise Duty is added in the Closing Inventory of Finished Goods.

c) The basis of determining cost for various categories of inventories are as follows:

i) Raw Materials, Packing Materials and Stores and spares : Weighted Average basis.

ii) Finished Goods and Work-in-Progress : Cost of Direct, Material, Labour and other Manufacturing overheads.

iv. Revenue Recognition

a) The company generally follows the mercantile system of accounting and recognizes income and expenditure on an accrual basis except those with significant uncertainties.

b) Sale of goods is recognized when the risk and rewards of ownership are passed on to the customers, which is generally on despatch of goods.

c) Claims made by the company and those made on the company are recognized in the Profit and Loss Account as and when the claims are accepted.

v. Foreign Currency Transactions

a) Foreign currency transactions are recorded at exchange rates prevailing on the date of such transaction.

b) Foreign currency assets and liabilities at the year end are realigned at the exchange rate prevailing at the year end and difference on realignment is recognized in the Profit & Loss account.

vi. Research and Development

Revenue expenditure on Research and Development is charged under respective heads of account. Capital expenditure on research and development

is included as part of fixed assets and depreciated on the same basis as other fixed assets.

vii. Employee Benefits

- a) Short term employee benefits are recognized as an expense at the undiscounted amount in the Profit & Loss Account of the year in which the related service is rendered.
- b) Post employment and other long term benefits which are defined benefit plans are recognized as an expense in the Profit & Loss Account for the year in which the employee has rendered service. The expense is recognized based on the present value of the obligation determined in accordance with Revised Accounting Standard 15 on Employee Benefits. Actuarial gains & losses are charged to the Profit & Loss Account.
- c) Payments to defined contribution schemes are charged as expense as and when incurred.
- d) Termination benefits are recognized as an expense as and when incurred.

viii. Borrowing Costs

Borrowing costs attributable to the acquisition or construction of qualifying assets are capitalized as part of such assets. All other borrowing costs are charged to revenue. A qualifying asset is an asset that necessarily requires substantial period of time to get ready for its intended use or sale.

ix. Taxes on Income

Current tax on income for the period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961 and based on the expected outcome of assessment / appeals. Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date. Deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future income will be available against which such deferred tax assets can be realised.

x. 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.

xi. 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. 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.

xii. 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 utilized for payment of excise duty on goods manufactured / Service tax on Output services. The unutilized CENVAT credit is carried forward in the books.

xiii. 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 realized.

xiv. Accounting Standards

Accounting Standards prescribed under Section 211(3c) of the Companies Act, 1956, have been followed wherever applicable.

Notes to Financial Statements for the year ended 31st March 2012

Particulars	AS AT 31.03.2012		AS AT 31.03.2011	
	In numbers	₹ in lakhs	In numbers	₹ in lakhs
EQUITY AND LIABILITIES				
SHAREHOLDERS' FUNDS				
2. SHARE CAPITAL				
Authorised				
3,00,000 Redeemable Preference Shares of ₹ 100/- each (31st March 2011 : Nil)	3,00,000	300.00	-	-
17,00,00,000 Equity Shares of ₹ 1/- each (31st March 2011 : 12,00,00,000 Equity shares of ₹ 1/- each)	170,000,000	1,700.00	120,000,000	1,200.00
		2,000.00		1,200.00
Issued				
15,00,01,551 Equity Shares of ₹ 1/- each (31st March 2011 : 10,00,01,034 Equity shares of ₹ 1/- each)	150,001,551	1,500.02	100,001,034	1,000.01
Subscribed & Fully paid up				
10,00,01,034 Equity Shares of ₹ 1/- each (31st March 2011 : 10,00,01,034 Equity shares of ₹ 1/- each)	100,001,034	1,000.01	100,001,034	1,000.01

a. Terms/Rights attached to Equity shares

The Company has one class of issued shares referred to as equity shares having a par value of ₹ 1/-. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the board of directors, if any, is subject to the approval of shareholders in Annual General Meeting. In the event of liquidation of the Company the holder of the equity shares will be entitled to receive remaining assets of the Company after settlement of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the equity shareholders.

b. Reconciliation of the number of Shares outstanding and the amount of Share Capital as at March 31, 2012 and March 31, 2011.

Equity shares (Issued Capital)	As at 31.03.2012		As at 31.03.2011	
	In numbers	₹ in lakhs	In numbers	₹ in lakhs
Shares outstanding at the beginning of the year	100,001,034	1,000.01	100,001,034	1,000.01
Shares Issued during the year	50,000,517	500.01	-	-
Shares outstanding at the end of the year	150,001,551	1,500.02	100,001,034	1,000.01

The Company has issued 5,00,00,017 equity shares of face value of ₹ 1 each at a premium of ₹ 1.75 per Equity Share for an amount aggregating ₹ 1,375.01 Lakhs on a rights basis to the existing equity shareholders of LGB forge Limited in the ratio of one equity share for every two fully paid up equity shares held by the existing equity shareholders on the record date viz., 21st March, 2012. The Rights issue closes on 28th April, 2012.

c. Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date :

Equity shares	31.03.2012	31.03.2011	31.03.2010	31.03.2009	31.03.2008
Fully paid up pursuant to contract(s) without payment being received in cash *	-	-	-	78,481,034	-

* Allotment of Shares in May 2008 pursuant to Scheme approved under Section 391-394 of the Companies Act, 1956.

d. Details of Shareholders holding more than 5% shares in the Company :

S. No.	Name of Shareholder	Equity Shares			
		As at 31 March 2012		As at 31 March 2011	
		No. of Shares held	% of Holding	No. of Shares held	% of Holding
1	Smt. V Rajsri	11,722,340	11.72	11,722,340	11.72
2	Sri. B Vijayakumar	11,632,200	11.63	11,632,200	11.63
3	M/s. L.G.Balakrishnan & Bros Limited	10,550,000	10.55	10,550,000	10.55
4	Sri.Vijayakumar Rajvirdhan	8,475,300	8.48	8,475,300	8.48
5.	International Finance Corporation	5,532,714	5.53	5,532,714	5.53

3 RESERVES & SURPLUS

₹ in lakhs

Description	As at 31.03.2011	Additions during year	Deductions/ Adjustments during the year	Balance as at 31.03.2012
a. Capital Reserves on Demerger	2,898.85	-	-	2,898.85
b. Surplus/(deficit) in Profit and Loss Account	(3,340.66)	(529.77)	-	(3,870.43)
	(441.81)	(529.77)	-	(971.58)

NON-CURRENT LIABILITIES
4 LONG TERM BORROWINGS

₹ in lakhs

	Non-Current Portion		Current maturities	
	As at 31.03.2012	As at 31.03.2011	As at 31.03.2012	As at 31.03.2011
Secured				
(a) Term loans				
From banks				
- ICICI Bank Limited	3,750.00	1,280.00	250.00	-
- Axis Bank Limited	-	-	-	2,409.68
Unsecured				
(a) Term loans				
- IDBI Bank Limited	-	-	-	300.00
(b) Deferred payment liabilities				
Sales tax deferral scheme loan	48.19	86.59	32.12	32.12
(c) Fixed Deposits - From related party	-	50.00	50.00	50.00
(d) Loans and advances from related parties				
Inter Corporate Deposits				
M/s Tribe Investments and Services (P) Ltd	50.00	83.33	33.33	33.33
	3,848.19	1,499.92	365.45	2,825.13
Amount disclosed under the head "Other Current Liabilities - Current maturities of Long term debt" (Note no 6)	-	-	(365.45)	(2,825.13)
Net Amount	3,848.19	1,499.92	-	-

Notes to Financial Statements for the year ended 31st March 2012

i. Rupee Term loan from ICICI Bank carries interest @ base rate + 3.25% (i.e. 13.25% p.a.) The loan is repayable in 16 quarterly installments of ₹ 250 lakhs each starting from March 2013. Interest is payable on monthly basis, from the date of loan viz., 30th March 2011. The loan is secured by way of hypothecation of whole movable properties including its movable plant and machinery, machinery spares, tools and accessories and other movable (except current assets), both present and future located at Belagola Industrial Area, Hebbal village, Mysore (Hot forging unit), Pillaiappanpalayam, Coimbatore (Hot and Warm forging unit) and Kondayampalayam, Coimbatore (Cold forging unit). Loan is further secured by corporate guarantee of M/s. L.G. Balakrishnan & Bros Limited.

Term loan from Axis Bank carried interest @ 13.25% p.a. The loan was repaid during the year. The loan was secured by hypothecation of entire movable assets at plants located at Pillaiappanpalayam, Kondayampalayam, forging division Mysore. The loan was further secured by corporate guarantee of M/s. L.G. Balakrishnan & Bros Ltd. Interest was paid on monthly basis.

ii. Sales tax deferral scheme loan in respect of Karnataka Sales Tax amounting to ₹ 104.38 lakhs and Karnataka VAT amounting to ₹ 56.23 lakhs, is repayable in 10 half yearly installments of ₹ 10.44 lakhs & ₹ 5.62 lakhs respectively commencing from December 2009 and ending with June 2014.

iii. Fixed deposit carries interest @ 10.5% p.a. having a maturity period of 3 years which was received in November 2009 ₹ 100 lakhs, out of which, 50 lakhs was preclosed in April 2011. Interest is payable on quarterly basis.

iv. Intercorporate deposit of ₹ 150 lakhs received from M/s. Tribe Investments and Services Private Limited carries interest @ 14% p.a. and is repayable in 18 quarterly installments of ₹ 8.33 lakhs commencing from June 2010. Interest is payable on monthly basis.

	As at 31.03.2012 ₹ in lakhs	As at 31.03.2011 ₹ in lakhs
5 SHORT TERM BORROWINGS		
Secured		
(a) Loans repayable on demand from banks		
Yes Bank Limited	250.00	443.33
(b) Cash Credit Loan from banks -		
- Axis Bank Ltd	332.86	315.52
- Corporation Bank	145.96	239.73
- ICICI Bank Ltd	221.29	357.12
- IDBI Bank Ltd	490.04	274.74
- Andhra Bank	662.07	404.65
	<u>2,102.22</u>	<u>2,035.09</u>
Unsecured		
(a) Loans and advances from related parties		
- Inter Corporate Deposits		
M/s. Silent Chains India Pvt. Limited	340.00	340.00
- From Directors	375.00	398.00
(b) Fixed Deposits		
- From Related party	-	8.00
	<u>715.00</u>	<u>746.00</u>
Total	<u>2,817.22</u>	<u>2,781.09</u>

**Notes to Financial Statements for the year ended 31st March 2012**

- i. Short term loan from Yes Bank carries interest @ 11.5% p.a . The loan can be rolled over every 6 months. The loan is secured by subservient charge on the fixed asset of the Company. Loan is further secured by corporate guarantee of M/s.L.G.Balakrishnan & Bros Limited.
- ii. Working Capital loans from ICICI Bank, Axis Bank, Corporation Bank, Andhra Bank, IDBI Bank carries an interest @ 12.00% to 15.25% are primarily secured by hypothecation of inventories and book debts of the Company and also secured by hypothecation of existing block of assets of the company excluding those specific machineries charged to banks/financial institutions.
- iii. Intercompany deposit of ₹ 340 lakhs received from M/s.Silent Chain India Private Limited carries interest @ 11% p.a repayable on demand. Interest is being paid on quarterly basis.
- iv. Loan from Directors carries interest @ 11% p.a. which is repayable on demand.
- v. Fixed Deposit of ₹ 8 lakhs carries interest @ 9% p.a. for a period of 1 year received on November 2010.

	As at 31.03.2012 ₹ in lakhs	As at 31.03.2011 ₹ in lakhs
6 OTHER CURRENT LIABILITIES		
(a) Current maturities of long-term debt (refer note no.4 "Long term borrowings")	365.45	2,825.13
(b) Accrued salaries and Benefit	110.10	101.16
(c) Amount payable to Related parties (Companies)	150.07	91.19
(d) Interest accrued but not due on Fixed Deposits	-	0.24
(e) Interest accrued and due on borrowings	2.78	-
(f) Advance received from Customers	49.33	11.67
(g) Statutory dues	35.62	29.99
(h) Provision for expenses	68.87	92.27
Total	782.22	3,151.65

Notes to Financial Statements for the year ended 31st March 2012
NON CURRENT ASSETS
7 - FIXED ASSETS

(₹ in Lakhs)

Description of Assets	GROSSBLOCK				DEPRECIATION				NET BLOCK	
	Balance as at 01.04.2011	Additions	Deletions	Balance as at 31.03.2012	Balance as at 31.03.2011	Depreciation charge For the year	Deductions	Balance as at 31.03.2012	Balance as at 31.03.2012	Balance as at 31.03.2011
a Tangible Assets (Not Under Lease)										
Land	114.56	1.23	-	115.79	-	-	-	-	115.79	114.56
Buildings	847.33	32.41	-	879.74	254.59	61.22	-	315.81	563.93	592.74
Plant and Machinery	8,177.68	170.27	6.77	8,341.18	4,332.55	842.19	4.35	5,170.39	3,170.79	3,845.13
Furniture and Fixtures	43.26	-	-	43.26	28.63	2.66	-	31.29	11.97	14.63
Vehicles	18.15	-	-	18.15	10.78	1.72	-	12.50	5.65	7.38
Office Equipment	7.73	0.55	-	8.28	3.33	0.30	-	3.63	4.65	4.41
Data Processing Machine	62.95	0.75	-	63.70	53.90	4.05	-	57.95	5.75	9.05
Electrical Installation	361.74	1.95	-	363.69	164.28	36.78	-	201.06	162.63	197.44
Pipeline Fitting	36.68	0.20	-	36.88	20.58	3.78	-	24.36	12.52	16.10
Lab Equipment	42.02	3.91	-	45.93	17.77	4.25	-	22.02	23.91	24.25
Fire Equipment	3.04	-	-	3.04	1.93	0.08	-	2.01	1.03	1.11
Canteen Equipments	2.34	-	0.16	2.18	1.08	0.10	0.09	1.09	1.09	1.26
Tools & Die sets	547.40	4.20	180.89	370.71	332.23	52.20	180.89	203.54	167.17	215.17
Sub Total	10,264.88	215.47	187.82	10,292.53	5,221.65	1,009.33	185.33	6,045.65	4,246.88	5,043.23
b Intangible Assets										
Computer Software	36.31	-	-	36.31	19.33	6.79	-	26.12	10.19	16.98
Sub Total	36.31	-	-	36.31	19.33	6.79	-	26.12	10.19	16.98
c Capital Work In Progress										
In Progress	-	11.72	-	11.72	-	-	-	-	11.72	-
Sub Total	-	11.72	-	11.72	-	-	-	-	11.72	-
Total Assets	10,301.19	227.19	187.82	10,340.56	5,240.98	1,016.12	185.33	6,071.77	4,268.79	5,060.21
Previous year	10,632.56	120.09	451.46	10,301.19	4,352.52	1,052.24	163.78	5,240.98	5,060.21	6,290.55

Notes to Financial Statements for the year ended 31st March 2012

	As at 31.03.2012 ₹ in lakhs	As at 31.03.2011 ₹ in lakhs
NON CURRENT ASSETS		
8 LONG TERM LOANS AND ADVANCES		
a. Capital Advances		
Unsecured, considered good	9.79	39.89
	<u>9.79</u>	<u>39.89</u>
b. Security Deposits		
Unsecured, considered good	94.51	96.33
	<u>94.51</u>	<u>96.33</u>
c. Other loans & advances		
Prepaid Expenses	0.30	-
Tax payments pending Adjustment	30.28	34.63
	<u>30.58</u>	<u>34.63</u>
	<u>134.88</u>	<u>170.85</u>
CURRENT ASSETS		
9 INVENTORIES (Valued at lower of cost and net realisable value)		
a. Raw Materials and components		
Goods-in transit	805.18	826.49
	<u>-</u>	<u>-</u>
	<u>805.18</u>	<u>826.49</u>
b. Work-in-progress		
Goods-in transit	442.01	474.90
	<u>-</u>	<u>-</u>
	<u>442.01</u>	<u>474.90</u>
c. Finished goods		
Internally Manufactured	68.29	64.23
Other than internally manufactured	-	-
Goods-in transit	-	-
	<u>68.29</u>	<u>64.23</u>
d. Stock-in-trade		
Internally Manufactured	-	-
Goods-in transit	-	-
	<u>-</u>	<u>-</u>
e. Stores and spares		
Goods-in transit	140.84	165.90
	<u>-</u>	<u>-</u>
	<u>140.84</u>	<u>165.90</u>
f. Loose Tools		
Goods-in transit	321.46	325.63
	<u>-</u>	<u>-</u>
	<u>321.46</u>	<u>325.63</u>
Total	1,777.78	1,857.15

Notes to Financial Statements for the year ended 31st March 2012

	As at 31.03.2012 ₹ in lakhs	As at 31.03.2011 ₹ in lakhs
10 TRADE RECEIVABLES		
Trade receivables outstanding for a period less than six months from the date they are due for payment		
Unsecured, considered good	2,529.69	2,424.68
	<u>2,529.69</u>	<u>2,424.68</u>
Trade receivables outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	54.77	80.26
Unsecured, considered doubtful	-	17.10
Less: Provision for doubtful debts	-	(17.10)
	<u>54.77</u>	<u>80.26</u>
Total	<u>2,584.46</u>	<u>2,504.94</u>
11 CASH AND CASH EQUIVALENTS		
a. Balances with banks	20.37	43.59
b. Cash on hand	2.20	0.81
	<u>22.57</u>	<u>44.40</u>
12 SHORT-TERM LOANS AND ADVANCES		
Unsecured, considered good		
Security Deposit with SEBI	13.75	-
Prepaid expenses	5.25	7.17
Loans to employees - staff advances	6.35	1.47
Balance with statutory / government authorities	130.86	215.08
Advance to Creditors	5.03	13.39
	<u>161.24</u>	<u>237.11</u>

Notes to Financial Statements for the year ended 31st March 2012

	YEAR ENDED 31.03.2012 ₹ in lakhs	YEAR ENDED 31.03.2011 ₹ in lakhs
13 REVENUE FROM OPERATIONS:		
Revenue from operations		
Sale of Products	12,953.91	12,973.45
Sale of Services	22.22	72.90
Other operating revenue		
Scrap Sales	832.44	784.47
Other	50.39	44.52
Revenue from operations (Gross)	13,858.96	13,875.34
Less:		
Excise duty	1,146.07	1,120.09
Revenue from operations (Net)	12,712.89	12,755.25
Details of products sold		
Manufactured Goods		
Cold forged components	4,118.44	3,829.75
Hot & Warm forged components	5,405.44	5,399.48
Hammer components	3,430.03	3,744.22
Total	12,953.91	12,973.45
Details of Services rendered		
Cold forged components - Job receipts	6.06	63.27
Hot & Warm forged components - Job receipts	0.08	3.45
Hammer components - Job receipts	16.08	6.18
Total	22.22	72.90
14 OTHER INCOME		
Interest Income on Security Deposit	7.14	-
Rent receipts	7.34	11.79
Gain on sale of assets (Net)	5.77	0.85
Export Incentives	114.65	33.67
Foreign Exchange Gain (Net)	76.46	1.91
Total	211.36	48.22

The Company has given on lease, furnished premises situated at Pillaiappanpalayam, Coimbatore to M/s. L.G.Balakrishnan & Bros. Ltd. for a period of eleven months. Lease rental income received during the year for the lease of said property amounts to ₹ 7.34 lakhs(Previous year ₹ 10.25 Lakhs)

15 COST OF RAW MATERIALS AND COMPONENTS CONSUMED

(₹ in lakhs)

Inventory at the beginning of the year	1,301.39	1,071.59
Add: Purchases	6,368.72	7,111.77
	<u>7,670.11</u>	<u>8,183.36</u>
Less: Inventory at the end of the year	1,247.20	1,301.39
Cost of raw material consumed	6,422.91	6,881.97
Details of Raw materials and components consumed		
Rods & Bars	6,422.91	6,881.97
Total	6,422.91	6,881.97

Notes to Financial Statements for the year ended 31st March 2012

	YEAR ENDED 31.03.2012 ₹ in lakhs	YEAR ENDED 31.03.2011 ₹ in lakhs	Increase / Decrease ₹ in lakhs
16 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS			
Details of changes in Inventory			
Inventory at the end of the year			
Work in Progress	442.01	474.90	(32.89)
Finished Goods	68.29	64.23	4.06
Total	510.30	539.13	(28.83)
Inventory at the beginning of the year			
Work in Progress	474.90	403.44	71.46
Finished Goods	64.23	86.20	(21.97)
Total	539.13	489.64	49.49
(Increase)/decrease in Inventories	28.83	(49.49)	
	YEAR ENDED	YEAR ENDED	
	31.03.2012	31.03.2011	
	₹ in lakhs	₹ in lakhs	
17 EMPLOYEE BENEFITS EXPENSES			
Employee Benefits Expense			
(a) Salaries, wages and bonus	941.72	857.91	
(b) Contributions to - Provident and other fund	40.22	42.29	
(c) Gratuity fund contributions	11.46	5.08	
(d) Managerial Remuneration	16.80	16.80	
(e) Staff welfare expenses	76.07	82.83	
Total	1,086.47	1,004.91	
Details of Managerial Remuneration			
Sri.V. Rajvirdhan- Executive Director			
Salaries and Allowances	15.00	15.00	
Contribution to Provident Fund	1.80	1.80	
Total	16.80	16.80	
18 FINANCE COST			
Interest expense	966.29	851.41	
Bank Charges	38.64	63.43	
Other borrowing costs	18.38	116.74	
Total	1,023.31	1,031.58	

Notes to Financial Statements for the year ended 31st March 2012

	YEAR ENDED 31.03.2012 ₹ in lakhs	YEAR ENDED 31.03.2011 ₹ in lakhs
19 OTHER EXPENSES		
Consumption of Stores & Spares	497.23	521.54
Consumption of loose tools	279.83	374.17
Processing Charges	899.87	997.17
Power & Utilities	1,075.01	1,156.48
Printing & Stationery	8.62	7.19
Postage, and Telephone	12.25	13.35
Rent on building	39.54	20.90
Rental charges on machinery	40.28	46.72
Rates, taxes and Licence	3.06	38.76
Insurance	16.25	14.29
Travelling & Conveyance	68.60	79.44
Advertisement, Publicity & Sales Promotion	1.52	0.88
Directors' Sitting Fees	1.40	0.96
Professional Charges	56.04	81.22
Miscellaneous Expenses	38.38	8.80
Selling & Distribution expenses	424.93	568.69
Packing Material	87.08	65.66
Repairs and maintenance		
Machinery	167.58	189.34
Building	43.45	26.47
Others	31.68	14.46
Watch & ward expenses	38.37	28.34
Auditors' Remuneration	5.36	3.28
Bad debts written off	40.05	17.10
Total	3,876.38	4,275.21
Payments to the Auditor as		
a. For Statutory Audit	3.00	2.50
b. For Taxation Matters	0.55	0.55
c. Rights Issue Certification	1.65	-
d. Reimbursement of Expenses	0.16	0.07
e. For Other Services	-	0.16
Total	5.36	3.28
20 EARNINGS PER SHARE		
Profit/(Loss) after taxation as per		
Profit & Loss Account	(529.77)	(862.31)
Number of equity shares outstanding	1,000.01	1,000.01
Basic & Diluted Earnings per share in rupee		
(Face value of ₹ 1 per share)	(0.53)	(0.86)

Notes to Financial Statements for the year ended 31st March 2012

- 21 The Company has not recognised the net deferred tax assets, in respect of accumulated losses and unabsorbed depreciation in view of absence of virtual certainty of availing the benefit in the future.
- 22 The balance in parties accounts are subject to confirmation and reconciliation, if any. In the opinion of the management all current assets including stock-in-trade/sundry debtors and loans and advances in the normal course of business would realize the value at least to the extent stated in the Balance Sheet.
- 23 **Micro, Small and Medium Enterprises**
There are no Micro, Small and Medium Enterprises in respect of whom the Company dues are outstanding for more than 45 days at the Balance Sheet date. The above information regarding Micro, Small and Medium enterprises have been determined to the extent such parties have been identified on the basis of information available with the Company and relied upon by the auditors.
- 24 Consequent to the Demerger, the Company is in the process of transferring the title deeds in the name of the Company.
- 25 Figures have been rounded off to the nearest Lakhs and decimals thereof.
- 26 As notified by Ministry of Corporate Affairs, Revised Schedule VI under the Companies Act, 1956 is applicable to the Financial Statements for the financial year commencing on or after 1st April, 2011. Accordingly, the financial statements for the year ended March 31, 2012 are prepared in accordance with the Revised Schedule VI. The amounts and disclosures included in the financial statements of the previous year have been reclassified to conform to the requirements of Revised Schedule VI.
- 27 The Company has only one reportable business segment namely manufacture of forged and machined components

28 CONTINGENT LIABILITIES (to the extent not provided for)

		As at 31.03.2012 ₹ in lakhs	As at 31.03.2011 ₹ in lakhs
a	Guarantee given by Bankers and outstanding	150.00	150.00
b	Estimated amount of contracts remaining to be executed on Capital Accounts and not provided for (Net after advance payments)	12.10	-
c	Counter guarantee given to LG Balakrishnan & Bros Limited for guarantee given	to the extent of loan guaranteed	-

29. 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. Associate Companies

a. L.G. Balakrishnan & Bros Ltd	i. Silent Chain India Private Ltd
b. Elgi Automotive Service (P) Ltd	j. LGB Fuel Systems Private Ltd
c. L.G.B Auto Products (P) Ltd	k. BCW V Tech India Private Ltd
d. LG Farm Products (P) Ltd	l. Rolon Fine Blank Ltd
e. L.G. Balakrishnan & Bros - Karur	m. LGB Rolon Chain Ltd
f. LG Sports Ltd	n. South Western Engineering India Ltd
g. Super Speeds Private Ltd	o. Tribe Investments and Services Private Ltd
h. Super Transports Private Ltd	p. Renold Chain India Private Ltd

Notes to Financial Statements for the year ended 31st March 2012

ii. Key Management Personnel

Sri. V. Rajvirdhan

iii Relatives of Key Management Personnel

Sri. B.Vijayakumar	Sri. Arjun Karivardhan
Smt. D.Sasikala,	Sri. Nithin Karivardhan
Smt. Vijayshree.V	Smt. Rajsri Vijayakumar
Smt. B.Sarojini	Sri. Rajiv Parthasarathy
Smt. D.Vasanthamani	

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

Nature of Transactions	Associate Companies	Relatives of Key Managerial Personnel	Key Managerial Personnel	Total (₹ in Lakhs) 2011-12	Total (₹ in Lakhs) 2010-11
Managerial Remuneration	-	-	16.80	16.80	16.80
IC loan - Opening Balance	456.67	473.00	33.00	962.67	990.00
Loan receipts	-	22.00	-	22.00	1714.00
Loan payments	33.33	100.00	3.00	136.33	1741.33
IC loan - Closing Balance	423.34	395.00	30.00	848.34	962.67
Interest Payments	50.66	42.84	3.22	96.72	175.32
Rent Receipts	7.34	-	-	7.34	11.79
Rent Payment	39.54	-	-	39.54	20.90
DEPB Licence Sold	111.85	-	-	111.85	33.67
Wind Mill unit Transfer	-	-	-	-	2.23
Purchase of Power, Spares, Processing, Conversion, Service charges payments	435.64	-	-	435.64	533.26
Sales of Power, Stores, Materials and Service charges	364.22	-	-	364.22	529.66
Sale of Assets	-	-	-	-	819.78
Lease Charges Payments	44.97	-	-	44.97	28.18
Amount Payable as on Closing date	150.08	-	-	150.08	90.94

30. Expenditure in Foreign Currency

	31.03.2012 (₹ in Lakhs)	31.03.2011 (₹ in Lakhs)
Travelling	7.24	16.83
Technical know-how fee	51.22	40.05
Others	32.55	56.17
	91.01	113.05

31. Value of Imports calculated on CIF basis in respect of

	5.51	4.32
Stores and Spare Parts	5.51	4.32

(₹ in Lakhs)

	Imported		Indigenous		Total	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Raw Materials (Including Expenses)						
Value	-	-	6,422.91	6881.97	6,422.91	6,881.97
Percentage	-	-	100.00	100.00	100.00	100.00
Stores & Spares (Including Expenses)						
Value	5.51	4.32	771.55	891.39	777.06	895.71
Percentage	0.71	0.48	99.29	99.52	100.00	100.00
Packing Materials						
Value	-	-	87.08	65.66	87.08	65.66
Percentage			100.00	100.00	100.00	100.00

32. Earnings in Foreign Exchange

	31.03.2012 (₹ in Lakhs)	31.03.2011 (₹ in Lakhs)
On account of Export of Goods at FOB value	1,420.22	1,143.73

33. Gratuity:

Description of the Company's defined benefit Plan:

The company operates a defined benefit plan for the payment of the post employee benefits in the form of gratuity. Benefits under the plan are based on pay and years of service and are vested on completion of five years of service, as provided for in the payment of Gratuity Act, 1972. The terms of the benefits are common for all the employees of the Company.

(₹ in Lakhs)

Particulars	31.03.12	31.03.11	31.03.10	31.03.09	31.03.08
1 Principal Actuarial Assumptions (Expressed as weighted averages)					
Discount Rate	8%	8%	8%	8%	-
Salary Escalation	6%	6%	8%	8%	-
2 Table Showing changes in present value of Obligation As on 31.03.2012					
Present value of obligations as at the beginning of year	33.96	31.33	24.10	-	-
Interest cost	2.53	2.38	1.93	-	-
Current Service Cost	8.03	6.13	4.53	-	-
Benefits Paid	(4.61)	(3.08)	(1.56)	-	-
Actuarial (gain) / loss on obligations	3.94	(2.81)	2.33	-	-
Present value of obligations as at end of the year	43.85	33.96	31.33	24.10	-
3 Table Showing changes in fair value of plan assets As on 31.03.2012					
Fair value of plan assets at the beginning of the year	43.51	39.19	25.24	-	-
Expected return on plan assets	3.81	3.16	2.57	0.78	-
Contributions	-	3.82	12.94	27.39	-
Benefits Paid	(4.61)	(3.08)	(1.56)	(2.93)	-
Actuarial (gain) / loss on plan assets	(0.13)	(0.42)	-	-	-
Fair value of plan assets at the end of the year	42.59	43.51	39.19	25.24	-

33. Gratuity (Contd.)

Particulars	31.03.12	31.03.11	31.03.10	31.03.09	31.03.08
4 Table showing fair value of plan assets					
Fair value of plan assets at the beginning of the year	43.51	39.19	25.24	-	-
Actual return on plan assets	3.69	3.58	2.57	-	-
Contributions	-	3.82	12.94	-	-
Benefits Paid	(4.61)	(3.08)	(1.56)	-	-
Fair value of plan assets at the end of the year	42.59	43.51	39.19	-	-
Funded status	11.41	9.56	7.86	-	-
Excess of Actual over estimated return on plan assets (Actual rate of return = Estimated rate of return as ARD falls on 31st March)	-	-	-	-	-
5 Actuarial Gain / Loss recognized As on 31.03.2012					
Actuarial (gain) / loss on obligations	3.94	(2.81)	(2.33)	-	-
Actuarial (gain) / loss for the year - plan assets	-	-	-	-	-
Actuarial (gain) / loss on obligations	3.94	(2.81)	2.33	-	-
Actuarial (gain) / loss recognized in the year	4.07	(3.23)	2.33	-	-
6 The amounts to be recognized in the balance sheet and statements of profit and loss					
Present value of obligation as at the end of the year	43.85	33.96	31.33	24.10	-
Fair value of plan assets as at the end of the year	42.59	43.51	39.19	25.24	-
Funded status	11.41	9.56	7.86	-	-
Net assets / (liability) recognized in balance sheet	11.41	9.56	7.86	-	-
7 Expenses Recognised in statement of Profit and Loss					
Current Service Cost	8.03	6.13	4.53	-	-
Interest Cost	2.53	2.38	1.93	-	-
Expected return on plan assets	(3.81)	(3.16)	(2.57)	-	-
Net Actuarial (gain) / loss recognized in the year	4.07	(3.23)	2.33	-	-
Expenses recognised in statement of Profit and Loss	10.82	2.12	6.22	-	-

V. RAJVIRDHAN
Executive Director

Coimbatore
28.04.2012

P. SHANMUGASUNDARAM
Director

A. JAMES CHANDRA MOHAN
Company Secretary

“As per our Report of even date”
For **Haribhakti & Co.**

Firm Registration No. 103523W
Chartered Accountants

C.S. SATHYANARAYANAN
Membership No. 028328
Partner



CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012		(₹ in Lakhs)
PARTICULARS	31.03.2012	31.03.2011
A Cash Flow From Operating Activities		
Net Loss Before Tax	(529.77)	(862.31)
Adjustments for :		
Depreciation	1,016.12	1,052.24
(Profit) / Loss on Sale of Assets (Net)	(5.77)	(531.49)
Interest Income	(7.14)	-
Interest Paid/other finance charges	1,023.31	1,031.58
	2,026.52	1,552.33
Operating Profit before working capital changes	1,496.75	690.02
Trade and Other receivables	(79.52)	248.99
Inventories	79.37	(169.32)
Loans & advances	111.84	99.35
Trade payable	(410.14)	(41.48)
	(298.45)	137.54
Cash generated from Operations	1,198.30	827.56
Direct taxes paid	-	-
Net Cash Flow from Operating activities	1,198.30	827.56
B Cash Flow from Investing Activities :		
Purchase of Fixed Assets	(227.19)	(109.58)
Sale of Fixed Assets	8.26	819.18
Interest received	7.14	-
Net Cash used in investing activities	(211.79)	709.60
C Cash Flow from Financing Activities :		
Long Term Borrowings (Net of Repayments)	2,348.27	(386.99)
Unsecured Loans	(2,369.43)	(115.48)
Working Capital Borrowings	36.13	6.47
Interest paid	(1,023.31)	(1,031.58)
Net Cash Used in financing activities	(1,008.34)	(1,527.58)
D Net Increase / (Decrease) in cash and cash equivalents (A+B+C)	(21.83)	9.58
Cash and cash equivalents as at 1.4.2011 and 1.4.2010	44.40	34.82
(Opening Balance)		
Cash and cash equivalents as at 31.3.2012 and 31.3.2011	22.57	44.40
(Closing Balance)		

V. RAJVIRDHAN
Executive Director

Coimbatore
28.04.2012

P. SHANMUGASUNDARAM
Director

A. JAMES CHANDRA MOHAN
Company Secretary

“As per our Report of even date”
For Haribhakti & Co.

Firm Registration No. 103523W
Chartered Accountants

C.S. SATHYANARAYANAN

Membership No. 028328
Partner

LGB FORGE LIMITED

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

Sub.: Green Initiative in Corporate Governance - Electronic Mode of service of documents

The Ministry of Corporate Affairs (MCA) has, vide its Circular No. 17/2011 dated 21.04.2011 and Circular No. 18/2011 dated 29.04.2011, allowed companies to serve all notices and correspondences to shareholders including Annual Reports i.e., Audited Financial Statements, Directors' Report, Auditors' Report, etc., through electronic mode (e-mail). The initiative taken by the MCA is a welcome move for the Society, as this will reduce paper consumption to a great extent, ensure prompt receipt of communication and avoid loss of document in postal transit. Keeping in view of the theme underlying the Circulars issued by MCA, we propose to henceforth send documents like notices, intimation under Section 302 of the Companies Act, 1956, Annual Reports, Financial Results, etc., to our shareholders through electronic mode.

We are sure that you will whole-heartedly support this initiative for a greener environment and co-operate with the Company to make it a success. We therefore request you to fill up the Information Slip below for registering your e-mail ID and send it to our Registrar & Share Transfer Agent (RTA), Cameo Corporate Services Limited. You can also send us an e-mail from your e-mail ID to secretarial@lgb.co.in for receiving the aforesaid documents in electronic form and mentioning therein your Folio No. / DP ID / Client ID as the case may be. On receipt of the Information Slip or an e-mail from you for registering your e-mail ID, we shall send such documents in electronic form to the said e-mail ID in future.

Please note that the Information Slip should be signed by the First / sole-holder as per the specimen signature recorded with the RTA. If you do not register your e-mail ID, a physical copy of the Annual Report and other communication / documents will be sent to you free of cost, as per the current practice. These documents will also be available on the Company's website www.lgbforge.co.in. for your ready reference under the Investors' Relations Section. Let's be part of this 'Green Initiative'

Thanking You,

Yours faithfully,

For LGB Forge Limited

(Sd./-)

A James Chandra Mohan

Company Secretary



----- Cut along the line -----

Cameo Corporate Services Limited

Unit: LGB Forge Limited

"Subramanian Building"

No 1, Club House Road

Chennai- 600 002

Tel No.: 044 - 28460390 Fax : 044 - 2846 0129

Folio No./DP ID & Client ID :

Name of the First Holder :

E-mail ID address (to be registered) :

Phone number (with STD Code) / Mobile No. :
(in case the shares are held in physical form)

Date: _____ Signature of 1st Holder _____

Note : Shareholders are requested to keep DP / RTA / Company informed as and when there is any change in the e-mail address. Unless the e-mail ID given above is changed by you by sending another communication in writing / e-mail, the Company will continue to send the documents to you on the above mentioned e-mail ID.



LGB FORGE LIMITED

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

ADMISSION SLIP

Name of Member		Folio No./DP ID	
Name of Proxy		No of Shares	

I hereby record my presence at the 6th Annual General Meeting of the Company held on 09.07.2012 at 09.15 A.M at Ardra Convention Centre, Kaanchan, 9, North Huzur Road, Coimbatore - 641 018.

.....
Signature of Member/Proxy

- Notes :
1. Shareholders/Proxies must bring the Admission Slip to the meeting and hand it over at the entrance duly signed.
 2. 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.

LGB FORGE LIMITED

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

PROXY FORM

I/We.....Of.....being a Member/Members of LGB FORGE Limited, hereby appointoffailing him.....ofas my/our Proxy to attend and vote for me/us on my/our behalf at the 6th Annual General Meeting of the Company to be held on 09.07.2012 at 09.15 A.M. at Ardra Convention Centre, Kaanchan, 9, North Huzur Road, Coimbatore- 641 018 and any adjournment thereof.

As Witness by my/our hand(s) thisday of2012.

Signed by the said.....

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



Applicable to investors holding shares in Electronic Form.

Notes : The proxy form must be returned so as to 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.





ANNUAL REPORT

If Undelivered Please Return to :



LGB FORGE LIMITED

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

Tel : 0422 - 2532325, Fax : 0422 - 2532333

E-Mail : info@lgb.co.in Web site : www.lgbforge.co.in