



LGB FORGE LIMITED

Corporate Informations

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

BANKERS

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

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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5th ANNUAL GENERAL MEETING

Date : 15th June, 2011
Day : Wednesday
Time : 09.15 A.M.
Venue : **Ardra Convention Centre**
Kaanchan,
9, North Huzur Road
Coimbatore- 641 018.
Book Closure Dates : 06.06.2011 to 15.06.2011
(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 Fifth Annual General Meeting of the Members of the Company will be held on Wednesday the 15th day of June, 2011 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, 2011 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. K.N.V. Ramani, who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint a Director in the place of Sri. Harsha Lakshmikanth, 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

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof) to create such Charges, Mortgages and Hypothecations on such movable and / or immovable properties, both present and future, and in such manner as the Board may deem fit, in favour of Banks / Financial Institutions and other Investing Agencies to secure Term Loan availed or proposed to be availed by the Company, provided that

the total amount of loans shall not, at any time exceed the limit of Rs. 300 Crores.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things, as well as to execute all such documents, instruments and writings as may be required in order to give effect to the above resolution".

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.**ITEM NO 5**

In terms of the provisions of Section 293(1)(a) of the Companies Act, 1956, the consent of the members is necessary in general meeting for creation of charges. To meet its long term capital needs, the Company availed / or proposed to be availed from Banks / Financial Institutions and other Investing Agencies the credit facilities by way of Term Loan. To secure such borrowings the Company would be required to mortgages and/or charges its movable and/or immovable properties (both present and future) in favour of Banks / Financial Institutions and other Investing Agencies. The mortgaging/charging etc., may be regarded as otherwise disposal of the Company's undertaking(s) within the meaning of Section 293(1)(a) of the Companies Act, 1956, and requires the approval of the members.

The Board of Directors recommends the resolution for your approval.

None of the Directors is concerned or interested in this resolution.

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 6th June 2011 to 15th June 2011 (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. Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.
8. In case any Member needs any clarification / explanation in the accounts or in the Annual Report published, you are requested to forward the same atleast 15 days before the date of the meeting to Mr. A. James Chandra Mohan, Company Secretary by registered post at the Company's registered office address so that the same may be attended and clarified prior to the closure of Annual General Meeting.

Coimbatore
29.04.2011

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. K.N.V. RAMANI | Sri. HARSHA LAKSHMIKANTH |
| Date of Birth | 05.10.1931 | 24.08.1977 |
| Date of Joining the Board | 29.01.2008 | 09.05.2008 |
| Qualification | M.A., B.L., | B.E., M.S., |
| Expertise in functional areas | More than 52 years experience as an Advocate | More than 8 years experience in Software Engineering |
| Shareholding in LGBFL | - NIL - | - NIL - |
| Other Directorship Held | Bannari Amman Spinning Mills Ltd | Mayajaal Entertainment Ltd. |
| | Sri Kannapiran Mills Ltd | Placement Com (P) Ltd |
| | Sri Chamundeswari Sugars Ltd | Head Hunters India (P) Ltd |
| | K.G. Denim Ltd | |
| | KPR Mills Ltd | |
| | Shiva Taxyarn Ltd | |
| | Sri Sankara College Association (Company under Section 25 of the Companies Act, 1956) | |
| Other Committee Membership | Remuneration Committee Chairman | Audit Committee Member |
| | LGB Forge Ltd | LGB Forge Ltd |
| | Sri Kannapiran Mills Ltd | |
| | Sri Chamundeswari Sugars Ltd | |
| | K.G. Denim Ltd | |
| | Audit Committee Chairman | |
| | Sri Kannapiran Mills Ltd | |
| | Shiva Taxyarn Ltd | |
| | Audit Committee Member | |
| | Bannari Amman Spinning Mills Ltd | |
| | K.G. Denim Ltd | |
| | Remuneration Committee Member | |
| | Bannari Amman Spinning Mills Ltd | |

**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors take pleasure in presenting the 5th Annual Report of your Company together with the audited accounts for the year ended 31st March, 2011.

FINANCIAL RESULTS:

The summary of the financial performance of the Company for the year ended 31st March, 2011 as compared to the previous year is as below :

| Particulars | 31-03-2011 (Rs. in Lakhs) | 31-03-2010 (Rs. in Lakhs) |
|--|------------------------------|------------------------------|
| Profit before Interest, Depreciation & Tax | 1221.51 | 677.74 |
| Less: | | |
| Interest | 1031.58 | 964.47 |
| Depreciation | 1052.24 | 1072.60 |
| Profit/ (Loss) Before Tax | (862.31) | (1359.33) |
| Less : Short Provisions for Income Tax for earlier years | - | 0.03 |
| Profit / (Loss) After Tax | (862.31) | (1359.36) |
| Add : Balance brought forward | (2478.35) | (1118.99) |
| Amount transferred to Balance Sheet | (3340.66) | (2478.35) |

DIVIDEND

In view of the losses, current and accumulated, your Directors regret their inability to recommend dividend for the year 2010-2011.

PERFORMANCE OF THE COMPANY

During the year under review, your Company's gross revenue is Rs.13153.85 Lakhs [Previous Year: Rs.10437.19 Lakhs. Gross Profit / (Loss) before interest, depreciation and tax amounted to Rs.1221.51 Lakhs [Previous Year (Rs.677.74 Lakhs)]. The Net Loss came to Rs.862.31 Lakhs [Previous Year Rs.1359.36 Lakhs). The Gross Income of the Company has grown by 26% over the previous year. The major contributories to Net Loss in the financial year under review were due to major increase in raw material prices, shortage of power, adverse forex fluctuations, and inability to pass on the increases to our customers.

The Operations of the Company have been streamlined for the available power and the customer base has been rationalized. This will improve the operations for the current year with a better cash flow and retention.

The bank credit facility enjoyed by your Company by way of secured loans have been guaranteed by M/s. L.G. Balakrishnan & Bros Ltd.

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 2011-2012 have been paid to them well before the due date i.e. April 30, 2011. The Company had paid the annual custodian fees to NSDL & CDSL for the Securities of the Company held in dematerialized mode with them for the year 2011- 2012.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Sri. K.N.V. Ramani and Sri. Harsha Lakshmikanth 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 Exchanges 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 2011 is Rs. 1,08,00,000/- (Rupees One Crore and Eight 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

The Auditors, M/s.Haribhakti & Co, Chartered Accountants, Coimbatore, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Your Company has received a Certificate from the Auditors to the effect that their appointment, if made, would be within the limits of Section 224(1B) of the Companies Act, 1956.

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, 2011 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
29.04.2011

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 2010-2011**
Previous year 2009-2010

| A. POWER AND FUEL CONSUMPTION | FORM A Current Year 2010-2011 | | | Previous year 2009-2010 | | |
|---------------------------------|----------------------------------|--------------------|--------------------------|-------------------------|--------------------|--------------------------|
| | Forging Mysore | Forging Coimbatore | Forging Coimbatore (CFD) | Forging Mysore | Forging Coimbatore | Forging Coimbatore (CFD) |
| 1) Electricity | | | | | | |
| a) Purchased | | | | | | |
| Units in Lakhs | 51.30 | 26.73 | 15.87 | 54.60 | 22.14 | 15.01 |
| Total Amount in Rs. in Lakhs | 282.30 | 198.17 | 78.15 | 285.22 | 149.87 | 68.77 |
| Rate per unit in Rs. | 5.50 | 7.41 | 4.92 | 5.22 | 6.77 | 4.58 |
| b) Own Generation | | | | | | |
| i) Through Diesel Generator | | | | | | |
| Units in Lakhs | Nil | 7.78 | 7.58 | Nil | 3.40 | 6.53 |
| Units per Liter of Diesel oil | Nil | 2.64 | 2.77 | Nil | 3.20 | 3.18 |
| Cost per Unit in Rs. | Nil | 14.37 | 14.39 | Nil | 11.22 | 10.56 |
| ii) Through Windmill Generation | | | | | | |
| Units in Lakhs | Nil | 11.81 | Nil | Nil | 11.98 | 17.73 |
| Total amount in Rs. | Nil | 44.52 | Nil | Nil | 41.92 | 62.06 |
| Cost per Unit in Rs. | Nil | 3.77 | Nil | Nil | 3.50 | 3.50 |
| iii) Furnace Oil | | | | | | |
| Qty. (K. Ltrs) | 603.75 | Nil | 51.19 | 530.43 | Nil | 50.00 |
| Total amount in Rs. | 173.55 | Nil | 13.89 | 127.25 | Nil | 11.12 |
| Rate per K. Ltr. (Rs.) | 28.75 | Nil | 27.14 | 25.87 | Nil | 22.24 |
| iv) Others: - Fuel Oil | | | | | | |
| Qty. (K. Ltrs) | 347.18 | Nil | Nil | 336.87 | Nil | Nil |
| Total amount in Rs. | 159.35 | Nil | Nil | 123.11 | Nil | Nil |
| Rate per K. Ltr (Rs.) | 45.90 | Nil | Nil | 36.54 | Nil | Nil |



FORM B

1. RESEARCH & DEVELOPMENT

| | |
|---|--|
| a) Specific areas in which R & D is carried out by the Company | a. Process Engineering. b. Product Engineering and c. Tool Design. |
| b) Benefits derived as a result of the above R & D | a. Improved output in manufacturing |
| c) Future plan of Action : | To extend such improvement to manufacture of all the products line. |
| d) Expenditure on R & D i) Capital ii) Recurring iii) Total R & D Expenditure iv) Total R & D expenditure as a % to total Turnover. | - Rs.13.25 Lakhs Rs.13.25 Lakhs 0.10% |

2. TECHNOLOGY, ABSORPTION, ADAPTATION AND INNOVATION

| | |
|---|---|
| a) Efforts, in brief, made towards technology absorption, adaptation and innovation | a. Tool and Die technology |
| b) Benefits derived as a results of the above efforts e.g., Product improvement, cost reduction, import substitution etc. | a. Improved output in manufacturing. |
| 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. | Tool and die technology 2010 - 2011 On going process - |

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange earned through Exports amount to : Rs.1143.73 Lakhs
Foreign Exchange used : Rs. 117.37 Lakhs

By Order of the Board

Coimbatore
29.04.2011

V. RAJVIRDHAN
Executive Director

P. SHANMUGASUNDARAM
Director

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

2010-11 has proven to be the year of survivalists. Those, who in the down turn, did not fare well financially have been forced to close, thereby opening up the forging markets. Coupled with the steady increase of the automotive market, the overall industry is in good position for the near short term.

OPPORTUNITIES

The improvement in the overall sales in the automotive industry provides a good opportunity for the growth in the forging industries. There are also visible signs of growth in the non-auto segment as more houses are built and in the growth of the overall growth in infrastructure. As the in-house technological know-how increases, the potential for diversification of markets entails that the Company is leveraged less with one particular segment.

THREATS AND RISKS & CONCERNS

The power situation in Tamilnadu poses a great threat and concern to the Company. There is deterioration in the supply and quality of power as compared with last year. Increase in the quantum of power cuts and the increase in the fluctuation of power hamper the productivity of the Company.

Steel price increases occurring during the year is a concern. Despite the understanding in the industry, the frequency in the increase of raw material prices proves turbulent. The Company forecasts further increases in the current year.

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 fulfil its targets and deadlines in time. The total number of people employed in the Company as on 31st March 2011 was 400.

RISK MANAGEMENT.

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

CAUTIONARY STATEMENT

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

Coimbatore
29.04.2011

By Order of the Board
V. RAJVIRDHAN
Executive Director

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 Members/Chairmanships held | | Relationship interse Directors |
|--|--------------------------------|------------------------|----------|---|---|----------|--|
| | | Board Meeting | Last AGM | | Member | Chairman | |
| Sri. B. Vijayakumar Chairman | Non- Executive Promoter | 4 | Yes | 7 | 3 | - | Father of Sri. V. Rajvidhan |
| Sri. V. Rajvirdhan Executive Director | Executive Promoter | 4 | Yes | 4 | 1 | - | Son of Sri. B. Vijayakumar |
| Sri. K.N.V. Ramani | Non- Executive Independent | 3 | No | 6 | 2 | 2 | |
| Sri. P.Shanmugasundaram | Non- Executive Independent | 4 | Yes | 2 | - | 2 | |
| Sri.P.V.Ramakrishnan | Non- Executive Independent | 3 | Yes | - | 1 | 1 | |
| Sri. Harsha Lakshmikanth | Non- Executive Independent | 3 | 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 2010-11

The Board met Four times during the Financial Year 2010 - 2011 on 29.04.2010, 22.07.2010, 20.10.2010, and 28.01.2011.

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 2011, four Audit Committee Meetings were held on 28th April, 2010, 21st July, 2010, 19th October 2010 and 27th January, 2011. 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 | 3 |
| Sri. Rajiv Parthasarathy | Non-Independent | Member | 4 |
| Sri. Harsha Lakshmikanth | Independent | Member | 1 |

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 2010-11, 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, 2011 no meeting of this committee was held.

Remuneration Policy

The Executive Directors are 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 2010-11 :

a) Remuneration paid/payable to the Executive Director for the financial year ended March 31, 2011 is given as under :

| Name | Salary and perquisites Rs. 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, 2011 is given as under :

The Non-Executive Directors were not paid any remuneration except sitting fees for attending the meetings of the Board of Directors and / or committees thereof. The details of the sitting fees paid to the Non-Executive Directors are as under :

| Name of the Director | Sitting Fees (Rs.) |
|--------------------------|--------------------|
| Sri. B. Vijayakumar | 16,000 |
| Sri. K.N.V. Ramani | 12,000 |
| Sri. P. Shanmugasundaram | 20,000 |
| Sri. P.V. Ramakrishnan | 15,000 |
| Sri. Harsha Lakshmikanth | 13,000 |
| Sri. Rajiv Parthasarathy | 20,000 |
| Total | 96,000 |

c) Statement showing number of Equity Shares of Re.1/- each of the Company held by the present Non- Executive Directors as on March 31, 2011 :

| Name | No. of shares held as on 31.03.2011 | % 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 / Investors' complaints, if any, on transfer of securities, non-receipt of dividend, annual report etc. During the year under review, the Committee met 14 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 |
|------|------------|-----------|---|--|
| 2008 | 30.04.2008 | 10.35 A.M | 6/16/13, Krishnarayapuram Road, Ganapathy, Coimbatore- 641006 | <p>a. The Company has passed a Special Resolution in the year 2007-08 approving the Amendment of the Memorandum and Articles of Association of the Company.</p> <p>b. The Company has passed a Special Resolution in the year 2007-08, approving the remuneration fixed by the Board of Directors to the Managing Director</p> |
| 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 |

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 No.11 B to Schedule 11 - Notes to the Accounts forming part of this Annual Report.

The Company did not have any transactions of material nature with the Directors and / or their relatives, promoters, management during the year ended on March, 31, 2011 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.lgbfl.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 :

- Annual General Meeting is proposed to be held at 9.15 A.M. on 15th June, 2011 at Ardra Convention Centre, Kaanchan, 9, North Huzur Road, Coimbatore- 641 018.

- Financial Calendar

Financial Year : April to March

For the year ended 31st March 2011, results were announced on 29.04.2011.

Financial Year - 2011-12

Quarter ending June 2011 - End of July 2011

Quarter ending September 2011 - End of October 2011

Quarter ending December 2011 - End of January 2012

Year ended 31-03-2012 - End of April 2012

- Date of Book Closure - 06.06.2011 to 15.06.2011 (both days inclusive)
- Listing on Stock Exchanges - Bombay and National Stock Exchanges.
- Securities Code - Bombay Stock Exchange Ltd. Equity 533007
- The National Stock Exchange of India Ltd. - LGBFORGE
- ISIN Number - Equity : INE201J01017

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

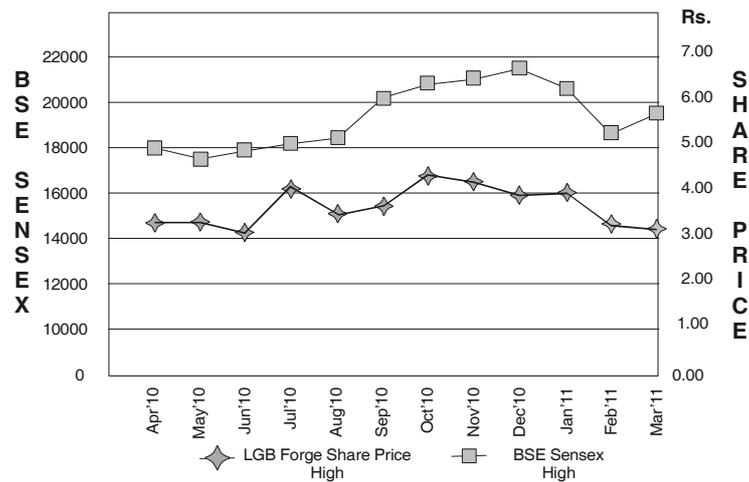
The Company has paid Annual Listing Fees to Bombay Stock Exchange Limited and National Stock Exchange of India Limited .

- Stock market price data for the year 2010-11

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

| | National Stock Exchange | | Bombay Stock Exchange | |
|--------------|-------------------------|-----------|-----------------------|-----------|
| | High (Rs.) | Low (Rs.) | High (Rs.) | Low (Rs.) |
| April | 3.25 | 2.75 | 3.40 | 2.76 |
| May | 3.30 | 2.60 | 3.40 | 2.60 |
| June | 2.95 | 2.50 | 3.17 | 2.50 |
| July | 4.30 | 2.50 | 4.20 | 2.58 |
| August | 3.55 | 2.85 | 3.55 | 2.80 |
| September | 3.80 | 2.75 | 3.75 | 2.90 |
| October | 4.45 | 3.10 | 4.44 | 3.10 |
| November | 4.30 | 3.35 | 4.28 | 3.32 |
| December | 4.10 | 3.20 | 3.99 | 3.25 |
| January 2011 | 4.00 | 3.15 | 4.05 | 3.01 |
| February | 3.45 | 2.80 | 3.35 | 2.75 |
| March | 3.45 | 2.40 | 3.22 | 2.51 |

Note: The Face Value is Re. 1/-


8. Distribution of Shareholding as on 31st March, 2011.

| Range | No. of Holders | No. of Shares | % of Shares |
|-------------------|----------------|--------------------|---------------|
| 1 - 500 | 10,675 | 2,361,018 | 2.36 |
| 501 - 1000 | 2,819 | 2,443,869 | 2.44 |
| 1001 - 2000 | 1,669 | 2,639,770 | 2.64 |
| 2001 - 3000 | 569 | 1,485,133 | 1.49 |
| 3001 - 4000 | 370 | 1,334,576 | 1.33 |
| 4001 - 5000 | 274 | 1,318,358 | 1.32 |
| 5001 - 10000 | 537 | 4,038,253 | 4.04 |
| 10001 - and above | 505 | 84,380,057 | 84.38 |
| Total | 17,418 | 100,001,034 | 100.00 |

9. Pattern of Shareholding :

| Sl. No. | Category | No. of Share holders | No. of Shares held | % to paid-up capital |
|---------|---|----------------------|--------------------|----------------------|
| 1 | Promoters and promoters group | 23 | 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 | 88 | 5,819,923 | 5.82 |
| 5 | Bodies Corporate | 345 | 1,996,352 | 2.00 |
| 6 | Public | 16,959 | 36,652,365 | 36.65 |
| | Total | 17,418 | 100,001,034 | 100.00 |

10. Dematerialization of Shares as on 31st March, 2011.

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 | 56,966,141 | 56.97 |
| Central Depository Services (India) Limited | 5,118,680 | 5.12 |
| Physical | 37,916,213 | 37.91 |
| Total | 100,001,034 | 100.00 |

11. 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

12. 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

13. Share Transfer system

The shares 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.

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

-Nil-

15. 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.

16. 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, 2011.

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

17. 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.

18. 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



19. 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, 2011.

Coimbatore
29.04.2011

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, 2011 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, 2011 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, 2011;
 - (ii) there have not been any significant changes in accounting policies during the year ended March, 31, 2011 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, 2011 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
29.04.2011

V. RAJVIRDHAN
Executive Director



CERTIFICATE ON CORPORATE GOVERNANCE

To the members of LGB Forge Limited.

I 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 31.03.2011. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of certification.

The compliance of conditions of Corporate Governance is the responsibility of the Management. My 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 my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the aforesaid Listing Agreement.

Coimbatore
29.04.2011

CS. P. ESWARAMOORTHY
Company Secretary in Practice
No. 60A, School Road,
Krishnasamy Nagar, Ramanathapuram,
Coimbatore-641045
ACS.NO.15930, CP NO.7069

REPORT OF THE AUDITOR'S TO THE SHAREHOLDERS

1. We have audited the attached Balance Sheet of LGB Forge Limited ('the Company') as at March 31, 2011 and also the 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'), 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, 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, 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, 2011, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2011 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, 2011;
 - b) in the case of the 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.

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

Coimbatore
29.04.2011

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 31.3.2011]

- (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 | Amounts in Lakhs | No. of Persons |
|---------------------------|------------------|----------------|
| Opening during the year | 990 | 7 |
| Receipts during the year | 1714 | 4 |
| Repayment during the year | 1741 | 3 |
| Closing during the year | 963 | 8 |

- (c) The terms and conditions in respect of loans taken by the Company are, in our opinion, 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 relating to windmill division, pursuant to the order made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed 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.

Further, since the Central Government has till date not prescribed the amount of cess payable under section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.

(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) As the Company is registered for a period less than five years, clause (x) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, is not applicable to the Company for the current 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.
Chartered Accountants
Firm Registration No. 103523W

C.S. SATHYANARAYANAN
Membership No. 028328
Partner

Coimbatore
29.04.2011

**BALANCE SHEET AS AT 31.03.2011**

| | Schedule | 31.03.2011 (Rs. in Lakhs) | | 31.03.2010 (Rs. in Lakhs) | |
|--|----------|------------------------------|-----------------|------------------------------|-----------------|
| SOURCES OF FUNDS : | | | | | |
| SHAREHOLDERS' FUNDS: | | | | | |
| Share Capital | I | 1000.01 | | 1000.01 | |
| Reserves & Surplus | II | 2898.85 | 3898.86 | 2898.85 | 3898.86 |
| BORROWED FUNDS: | | | | | |
| Secured Loans | III | 5581.43 | | 5961.95 | |
| Unsecured Loans | IV | 1524.71 | 7106.14 | 1640.18 | 7602.13 |
| Total Capital Employed | | | 11005.00 | | 11500.99 |
| APPLICATION OF FUNDS: | | | | | |
| FIXED ASSETS V | | | | | |
| Gross Block | | 10301.19 | | 10632.56 | |
| Less: Accumulated Depreciation | | 5240.98 | | 4352.52 | |
| Net Block | | | 5060.21 | | 6280.04 |
| Capital Work-in-progress | | | - | | 10.51 |
| | | | 5060.21 | | 6290.55 |
| CURRENT ASSETS, LOANS & ADVANCES | | | | | |
| Inventories | VI | 1857.16 | | 1687.84 | |
| Sundry Debtors | VII | 2716.68 | | 2965.67 | |
| Cash and Bank Balances | VIII | 44.40 | | 34.82 | |
| Loans and Advances | IX | 409.82 | | 509.17 | |
| | (A) | 5028.06 | | 5197.50 | |
| CURRENT LIABILITIES AND PROVISIONS | | | | | |
| Current Liabilities | X | 2423.93 | | 2465.41 | |
| Provisions | XI | - | | - | |
| | (B) | 2423.93 | | 2465.41 | |
| NET CURRENT ASSETS (A - B) | | | 2604.13 | | 2732.09 |
| Miscellaneous Expenditure (to the extent not written off or adjusted) | | | | | |
| Debit Balance in Profit & Loss Account | | | 3340.66 | | 2478.35 |
| Total Assets | | | 11005.00 | | 11500.99 |

Accounting Policies & Notes on Accounts - 11

Schedules I to XI and 11 form part of this Balance Sheet.

"As per our Report of even date"

V. RAJVIRDHAN
Executive Director

P. SHANMUGASUNDARAM
Director

For Haribhakti & Co.
Chartered Accountants
Firm Registration No. 103523W

Coimbatore
29.04.2011

A. JAMES CHANDRA MOHAN
Company Secretary

C.S. SATHYANARAYANAN
Membership No. 028328
Partner

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2011**

| | Schedule | 31.03.2011 (Rs. in Lakhs) | 31.03.2010 (Rs. in Lakhs) |
|---|----------|------------------------------|------------------------------|
| INCOME | | | |
| Sales & Services | | 13875.35 | 11018.69 |
| Less : Excise Duty | | 1120.09 | 750.83 |
| Net Sales | 1 | 12755.26 | 10267.86 |
| Increase/(Decrease) in Stock of | | | |
| Finished Goods | 2 | (180.27) | 21.54 |
| Other Income | 3 | 578.86 | 147.79 |
| | | 13153.85 | 10437.19 |
| EXPENDITURE | | | |
| Raw Materials & Components Consumed | 4 | 6610.97 | 5420.63 |
| Processing Charges | | 997.17 | 893.80 |
| Power & Utilities | | 1156.48 | 954.42 |
| Stores & Spares Consumed | | 1002.60 | 639.20 |
| Employees' Cost | 5 | 1004.91 | 743.32 |
| Repairs & Maintenance | 6 | 230.27 | 173.37 |
| Selling & Distribution Expenses | 7 | 568.62 | 380.30 |
| Other Expenditure | 8 | 361.32 | 554.41 |
| Total Expenditure | | 11932.34 | 9759.45 |
| Profit before Interest and Depreciation | | 1221.51 | 677.74 |
| Less : Interest & Finance Charges | 9 | 1031.58 | 964.47 |
| Depreciation | V | 1052.24 | 1072.60 |
| PROFIT / (LOSS) BEFORE TAXATION | | (862.31) | (1359.33) |
| Less : Short Provision for Income Tax earlier years | | - | 0.03 |
| PROFIT / (LOSS) AFTER TAX | | (862.31) | (1359.36) |
| Add : Balance brought forward | | (2478.35) | (1118.99) |
| Amount transferred to Balance Sheet | | (3340.66) | (2478.35) |
| Earnings per Share (Basic and diluted) in Rupees Face Value Re.1/- | 10 | (0.86) | (1.36) |

Accounting Policies & Notes on Accounts - 11

Schedules V, 1 to 11 form part of this Profit & Loss Account

"As per our Report of even date"

V. RAJVIRDHAN
Executive Director

P. SHANMUGASUNDARAM
Director

For Haribhakti & Co.
Chartered Accountants
Firm Registration No. 103523W

Coimbatore
29.04.2011

A. JAMES CHANDRA MOHAN
Company Secretary

C.S. SATHYANARAYANAN
Membership No. 028328
Partner



| SCHEDULES TO BALANCE SHEET | | |
|---|------------------------------|------------------------------|
| | 31.03.2011 (Rs. in Lakhs) | 31.03.2010 (Rs. in Lakhs) |
| SHARE CAPITAL - I | | |
| Authorised : | | |
| 12,00,00,000 Equity Shares of Re.1/- each | | |
| | 1200.00 | 1200.00 |
| | <u>1200.00</u> | <u>1200.00</u> |
| Issued, Subscribed and Paid-up : | | |
| 10,00,01,034 Equity Shares of Re.1/- each | 1000.01 | 1000.01 |
| (Previous year 10,00,01,034 Equity Shares of Re.1/- each) | <u>1000.01</u> | <u>1000.01</u> |
| | | |
| RESERVES AND SURPLUS - II | | |
| CAPITAL RESERVE & REVALUATION RESERVE | | |
| Capital Reserve as per demerger scheme | 2898.85 | 2898.85 |
| | <u>2898.85</u> | <u>2898.85</u> |
| | | |
| SECURED LOANS - III | | |
| From Banks : | | |
| a) Term Loans : | | |
| Rupee Term Loans | 3689.68 | 4076.67 |
| b) Working Capital Borrowings : | | |
| Rupee Cash Credit Facilities | 1891.75 | 1724.75 |
| Packing Credit facilities | - | 160.53 |
| | <u>5581.43</u> | <u>5961.95</u> |
| | | |
| UNSECURED LOANS - IV | | |
| From | | |
| - Directors | 398.00 | 400.00 |
| - Others | 108.00 | 100.00 |
| Sales Tax Deferral Scheme | 118.71 | 150.18 |
| Banks | 443.33 | 500.00 |
| Inter Corporate Deposit | | |
| (Due within a period of 1 year Rs.33.32 Lakhs) | <u>456.67</u> | <u>490.00</u> |
| | <u>1524.71</u> | <u>1640.18</u> |

SCHEDULES TO BALANCE SHEET
FIXED ASSETS - V

(Rs. in lakhs)

| | Gross Block | | | | | Depreciation | | | | Net Block | |
|----------------------------------|-----------------------|--------------------------|--------------------------------|--------------------------|-----------------|--------------|---------------------------|-----------------------|------------------|------------------|--|
| | Cost as on 01.04.2010 | Additions during 2010-11 | Sale / Transfer during 2010-11 | Balance as on 31.03.2011 | Upto 31.03.2010 | For 2010-11 | With-drawn during 2010-11 | Total Upto 31.03.2011 | as on 31.03.2011 | as on 31.03.2010 | |
| a) Tangible Assets | | | | | | | | | | | |
| Land | 138.22 | - | 23.66 | 114.56 | - | - | - | - | 114.56 | 138.22 | |
| Buildings | 1,231.25 | 18.02 | 401.94 | 847.33 | 329.44 | 78.14 | 152.99 | 254.59 | 592.74 | 901.81 | |
| Plant & Machinery | 8,671.07 | 75.11 | 21.10 | 8,725.08 | 3,767.30 | 905.48 | 7.99 | 4,664.79 | 4,060.29 | 4,903.77 | |
| Furniture, Fittings & Equipments | 536.94 | 24.00 | 1.18 | 559.76 | 236.62 | 55.50 | 0.62 | 291.50 | 268.26 | 300.32 | |
| Vehicles | 18.77 | 2.96 | 3.58 | 18.15 | 11.15 | 1.80 | 2.18 | 10.77 | 7.38 | 7.62 | |
| Total Tangible Assets | 10,596.25 | 120.09 | 451.46 | 10,264.88 | 4,344.51 | 1,040.92 | 163.78 | 5,221.65 | 5,043.23 | 6,251.74 | |
| b) Intangible Assets | | | | | | | | | | | |
| Computer Software | 36.31 | - | - | 36.31 | 8.01 | 11.32 | - | 19.33 | 16.98 | 28.30 | |
| Technical Know-how | - | - | - | - | - | - | - | - | - | - | |
| Total Intangible Assets | 36.31 | - | - | 36.31 | 8.01 | 11.32 | - | 19.33 | 16.98 | 28.30 | |
| Sub Total | 10,632.56 | 120.09 | 451.46 | 10,301.19 | 4,352.52 | 1,052.24 | 163.78 | 5,240.98 | 5,060.21 | 6,280.04 | |
| Capital Work - in-Progress | - | - | - | - | - | - | - | - | - | 10.51 | |
| Total Assets | 10,632.56 | | | 10,301.19 | | | | 5,240.98 | 5,060.21 | 6,290.55 | |

| SCHEDULES TO BALANCE SHEET | | |
|---|------------------------------|------------------------------|
| | 31.03.2011 (Rs. in Lakhs) | 31.03.2010 (Rs. in Lakhs) |
| INVENTORIES - VI | | |
| (At lower of cost and net realisable value) | | |
| (As certified by Executive Director) | | |
| Stock of Stores & Spares and Tools | 482.94 | 526.79 |
| Raw Materials & Components | 780.64 | 616.96 |
| Works in Process | 494.06 | 422.61 |
| Finished Goods | 99.52 | 121.48 |
| | <u>1857.16</u> | <u>1687.84</u> |
| SUNDRY DEBTORS - VII | | |
| Unsecured Considered Good | | |
| a. Outstanding for a period exceeding six months | 91.41 | 165.57 |
| b. Others | 2625.27 | 2800.10 |
| | <u>2716.68</u> | <u>2965.67</u> |
| Unsecured Considered Doubtful | 17.10 | 27.08 |
| Less : Provision for Doubtful Debts | (17.10) | (27.08) |
| | <u>2716.68</u> | <u>2965.67</u> |
| AND BANK BALANCES - VIII | | |
| Cash on hand | 0.81 | 0.96 |
| Balances with Scheduled Banks | | |
| - In Current Account | 43.59 | 32.53 |
| - In Fixed Deposit Account | - | 1.33 |
| | <u>44.40</u> | <u>34.82</u> |
| LOANS AND ADVANCES - IX | | |
| Advances Recoverable in cash or in kind or for value to be received and considered good - Unsecured | 55.16 | 42.07 |
| Balances with Government Authorities | 215.08 | 291.56 |
| Deposits | 96.33 | 140.54 |
| Prepaid expenses | 7.17 | 5.69 |
| Tax payments pending adjustment (Net of provision) | 36.08 | 29.31 |
| | <u>409.82</u> | <u>509.17</u> |
| CURRENT LIABILITIES - X | | |
| Sundry Creditors | 2423.69 | 2465.41 |
| (Due to Micro, Small and Medium Enterprises is NIL) | | |
| Interest accrued but not due on loans | 0.24 | - |
| | <u>2423.93</u> | <u>2465.41</u> |
| PROVISIONS - XI | | |
| For Taxation | - | - |
| | <u>-</u> | <u>-</u> |



| SCHEDULES TO PROFIT AND LOSS ACCOUNT | | | |
|---|------------------------------|---------|------------------------------|
| | 31.03.2011 (Rs. in Lakhs) | | 31.03.2010 (Rs. in Lakhs) |
| INCOME - 1 | | | |
| SALES AND SERVICE CHARGES | | | |
| Domestic Sales & Service Charges | | | |
| Sale of Finished products (incl. of excise duty.) | 12381.64 | | 9745.41 |
| Service Charges | 72.91 | | 58.38 |
| Sale of Wind Power | 44.52 | | 41.92 |
| | 12499.07 | | 9845.71 |
| Export Sales | | | |
| Sale of finished products | 1376.28 | | 1172.98 |
| | 13875.35 | | 1018.69 |
| INCREASE / (DECREASE) IN STOCK OF FINISHED GOODS - 2 | | | |
| Stock at Closing | 99.52 | | 121.48 |
| Less : Stock at Opening | 279.79 | | 99.94 |
| | (180.27) | | 21.54 |
| OTHER INCOME - 3 | | | |
| Interest Received | - | | 10.73 |
| Rent Received (TDS Rs. 1.27 lakhs) | 11.79 | | 52.09 |
| Sundry Income | - | | 5.55 |
| Foreign Exchange Gain (Net) | 1.91 | | - |
| Depb Claim | 33.67 | | 11.49 |
| Profit/(Loss) on Sales of Asset (Net) | 531.49 | | 67.93 |
| | 578.86 | | 147.79 |
| RAW MATERIALS & COMPONENTS CONSUMED - 4 | | | |
| Opening Stock | | | |
| a. Raw materials & Components | 616.96 | | 489.02 |
| b. Work-in-process | 422.61 | 1039.57 | 628.80 |
| | | | 1117.82 |
| Add : Purchases & other expenses | | | |
| | 6846.10 | | 5342.38 |
| | 7885.67 | | 6460.20 |
| Less : Closing Stock | | | |
| a. Raw materials & Components | 780.64 | | 616.96 |
| b. Work-in-process | 494.06 | 1274.70 | 422.61 |
| | | | 1039.57 |
| Total Raw Materials & Components Consumed | 6610.97 | | 5420.63 |
| EMPLOYEES' COST - 5 | | | |
| a) Managerial Remuneration | 15.00 | | 23.41 |
| b) Pay, Allowances & Bonus | 862.99 | | 621.33 |
| c) Company's Contribution to Provident Fund & Gratuity Fund | 44.09 | | 32.78 |
| d) Welfare Expenses | 82.83 | | 65.80 |
| | 1004.91 | | 743.32 |



| SCHEDULES TO PROFIT AND LOSS ACCOUNT | | |
|--|------------------------------|------------------------------|
| | 31.03.2011 (Rs. in Lakhs) | 31.03.2010 (Rs. in Lakhs) |
| REPAIRS AND MAINTENANCE - 6 | | |
| Machinery | 189.34 | 122.22 |
| Building | 26.47 | 26.04 |
| Others | 14.46 | 25.11 |
| | <u>230.27</u> | <u>173.37</u> |
| SELLING AND DISTRIBUTION EXPENSES - 7 | | |
| Selling Expenses | 107.88 | 104.55 |
| Freight & Forwarding | 460.74 | 275.75 |
| | <u>568.62</u> | <u>380.30</u> |
| OTHER EXPENDITURE - 8 | | |
| Printing & Stationery | 7.19 | 6.55 |
| Postage, Telegram and Telephone | 13.35 | 15.24 |
| Rent on building | 20.90 | 3.28 |
| Rental charges on machinery | 46.72 | 35.49 |
| Rates, taxes & Licence | 38.71 | 17.70 |
| Insurance | 14.30 | 12.09 |
| Travelling & Conveyance | 79.44 | 73.88 |
| Advertisement, Publicity & Sales Promotion | 0.96 | 0.90 |
| Directors' Sitting Fees | 0.96 | 1.06 |
| Auditor's Remuneration | 3.28 | 2.46 |
| Professional Charges, Books and Periodicals | 83.31 | 44.65 |
| Foreign Exchange Loss (Net) | - | 70.45 |
| Miscellaneous Expenses | 6.76 | 10.44 |
| Watch & ward expenses | 28.34 | 22.81 |
| Bad debts written off | 27.08 | 210.33 |
| Less : Provision for bad & doubtful debts written back | <u>(27.08)</u> | - |
| Provision for bad & doubtful debts | <u>17.10</u> | <u>27.08</u> |
| | <u>361.32</u> | <u>554.41</u> |
| INTEREST & FINANCE CHARGES - 9 | | |
| On Fixed Loans | 462.81 | 483.27 |
| On Others | 488.60 | 412.15 |
| Bank charges | 80.17 | 69.05 |
| | <u>1031.58</u> | <u>964.47</u> |
| EARNING PER SHARE (BASIC AND DILUTED) - 10 | | |
| a. Profit / (Loss) After Tax | (862.31) | (1359.36) |
| b. Equity Share of Re.1/- each (Nos. in Lakhs) | 1000.01 | 1000.01 |
| c. Earnings per Share (a/b) | <u>(0.86)</u> | <u>(1.36)</u> |

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

ACCOUNTING POLICIES AND NOTES FORMING PART OF
ACCOUNTS FOR THE YEAR ENDED 31.03.2011

SCHEDULE - 11**A. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****1. Accounting Convention**

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

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

- 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 of impairment loss recognized in previous periods. Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount.

3. 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.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. Cash Flow Statement

Cash Flow Statement has been prepared in accordance with the indirect method prescribed in Accounting Standard 3.

11. Leases

Leases are classified as finance or operating leases depending upon the terms of the lease agreements. Assets held under finance leases are recognized 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 expensed as and when incurred.

12. 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.

13. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized 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

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

- (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 recognized in the financial statements since this may result in the recognition of income that may never be realized
2. Estimated value of contracts remaining to be executed on capital accounts is Rs.Nil
 3. The Company has not recognized the net deferred tax assets, in respect of accumulated losses and unabsorbed depreciation in view of the virtual uncertainty of availing the benefit in future.
 4. The balances 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.

14. Accounting Standards

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

B. NOTES FORMING PART OF ACCOUNTS.**1. Secured Loans:**

- a) The rupee term loan from ICICI Bank is secured by hypothecation of movable fixed assets as at 31.03.2011 along with the corporate guarantee given by M/s. L.G. Balakrishnan & Bros Limited, with creation of mortgage on immovable fixed assets of the Company subsequently.
- b) The rupee term loan from Axis Bank is secured by hypothecation of movable fixed assets, mortgage of immovable fixed assets and the corporate guarantee given by M/s. L.G. Balakrishnan & Bros Limited.
- c) The Working Capital/ Cash Credit loans from ICICI Bank, Axis Bank, Corporation Bank, Andhra Bank, IDBI Bank are primarily secured by hypothecation of inventories and book debts of the Company, also secured by hypothecation of existing block of assets of the Company excluding those specific machineries charged to Banks/Financial Institution.

5. Micro, Small and Medium enterprises:

There are no Micro, Small and Medium Enterprises in respect of whom the Companys dues are outstanding for more than 45 days at the Balance Sheet date. The above information and that given under Current Liabilities and Provisions 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.

6. Consequent to demerger the Company is in the process of transferring the title deeds in the name of the Company.
7. Figures have been rounded off to the nearest thousand.
8. Previous years figures have been regrouped wherever necessary to conform to the current year's classification.

9 CONTINGENT LIABILITIES

Rs. in Lakhs

| | | 31.03.2011 | 31.03.2010 |
|---|--|------------|------------|
| a | Guarantee given by Bankers and outstanding | 150.00 | 101.30 |
| b | Amount outstanding on Letter of Credit | - | 703.64 |
| c | Estimated amount of contracts remaining to be executed on Capital Accounts and not provided for (Net after advance payments) | Nil | Nil |
| d | Bills discounted with Banks | Nil | Nil |
| e | Disputed tax liability | Nil | Nil |
| f | Export obligation | Nil | Nil |
| | Duty involved | Nil | Nil |

10 Earnings per share

| | 31.03.2011 | 31.03.2010 |
|---|------------|------------|
| Profit / (Loss) after taxation as per Profit & Loss Account | (862.31) | (1359.36) |
| Number of equity shares outstanding | 1000.01 | 1000.01 |
| Basic and diluted earnings per share in rupee | | |
| face value - Re.1/- per share | (0.86) | (1.36) |

11. 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. Vijayshree Spinning Mills Private Ltd |
| h. Super Transports Private Ltd | p. Renold Chain India Private Ltd |

ii. Key Management Personnel

| |
|--------------------|
| Sri. V. Rajvirdhan |
|--------------------|

iii. Relatives of Key Management Personnel

| |
|--------------------------------------|
| Sri. V. Rajvirdhan and his Relatives |
|--------------------------------------|



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 (Rs. in Lakhs) 2010-11 | Total (Rs. in Lakhs) 2009-10 |
|--|---------------------|---------------------------------------|--------------------------|------------------------------|------------------------------|
| Managerial Remuneration | - | - | 16.80 | 16.80 | 23.41 |
| I C Deposits given Opening Balance | - | - | - | - | 40.60 |
| Add amount given | - | - | - | - | - |
| Less amount received back | - | - | - | - | 40.60 |
| I C Deposits given Closing Balance | - | - | - | - | - |
| I C Loan - Opening Balance | 490.00 | 470.00 | 30.00 | 990.00 | 515.00 |
| Loan Receipts | 1700.00 | 11.00 | 3.00 | 1714.00 | 675.00 |
| Loan Payments | 1733.33 | 8.00 | - | 1741.33 | 200.00 |
| I C Loan - Closing balance | 456.67 | 473.00 | 33.00 | 962.67 | 990.00 |
| Interest Payments | 123.21 | 49.19 | 2.92 | 175.32 | 86.88 |
| Interest Receipts | - | - | - | - | 2.08 |
| Rent Receipts | 11.79 | - | - | 11.79 | 18.26 |
| Rent Payments | 20.90 | - | - | 20.90 | - |
| DEPB Receipts | 33.67 | - | - | 33.67 | - |
| Wind mill unit transfer | 2.23 | - | - | 2.23 | - |
| Purchase of Power, Spares, Processing/ Conversion, Service charges payment | 533.26 | - | - | 533.26 | 409.18 |
| Sale of Power, Stores, Materials and Service Charges | 529.66 | - | - | 529.66 | 564.34 |
| Sale of Asset | 819.78 | - | - | 819.78 | 332.70 |
| Lease charges receipts | - | - | - | - | 43.49 |
| Lease charges payments | 28.18 | - | - | 28.18 | 18.68 |
| Amount payable as on closing date | 90.94 | - | - | 90.94 | 1161.79 |
| Amount receivable as on closing date | - | - | - | - | 17.01 |

12. DETAILS OF MANAGERIAL REMUNERATION :

| | 31.03.2011 (Rs. in Lakhs) | 31.03.2010 (Rs. in Lakhs) |
|--|------------------------------|------------------------------|
| Sri. V. Rajvirdhan - Executive Director | | |
| Salaries and Allowances | 15.00 | 2.50 |
| Contribution to Provident Fund | 1.80 | 0.30 |
| | 16.80 | 2.80* |
| Sri. P.S. Balasubramanian - Managing Director | | |
| Salaries and Allowances | - | 18.75 |
| Contribution to Provident Fund | - | 1.86 |
| | - | 20.61 |

* Sri. V. Rajvirdhan was employed only for 2 months during 2009 - 10.

13. Details of Foreign Exchange Earnings and Outgo :
(a) Expenditure in Foreign Currency (on payment basis)

| | 31.03.2011 (Rs. in Lakhs) | 31.03.2010 (Rs. in Lakhs) |
|------------------------|------------------------------|------------------------------|
| Travelling | 16.83 | 5.57 |
| Technical know-how fee | 40.05 | 1.94 |
| Consultancy Fees | - | 19.12 |
| Others | 56.17 | - |
| | 113.05 | 26.63 |

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

| | | |
|------------------------|-------------|-------------|
| Raw Materials | - | 4.94 |
| Stores and Spare Parts | 4.32 | - |
| Machinery | - | - |
| | 4.32 | 4.94 |

(c) Earnings in Foreign Exchange

| | | |
|--|---------|---------|
| On account of Export of Goods at FOB value | 1143.73 | 1083.68 |
|--|---------|---------|

(d) Particular of Consumption

| | Imported | | Indigenous | | Total | |
|---|------------|------------|------------|------------|------------|------------|
| | 31.03.2011 | 31.03.2010 | 31.03.2011 | 31.03.2010 | 31.03.2011 | 31.03.2010 |
| Raw Materials (Including Expenses) | | | | | | |
| Value | 0.00 | 4.94 | 6545.31 | 5362.26 | 6545.31 | 5367.20 |
| Percentage | 0.00 | 0.09 | 100.00 | 99.91 | 100.00 | 100.00 |
| Stores & Spares (Including Expenses) | | | | | | |
| Value | 4.32 | Nil | 998.28 | 639.20 | 1002.60 | 639.20 |
| Percentage | 0.43 | | 99.57 | 100.00 | 100.00 | 100.00 |
| Packing Materials | | | | | | |
| Value | Nil | Nil | 65.66 | 53.43 | 65.66 | 53.43 |
| Percentage | | | 100.00 | 100.00 | 100.00 | 100.00 |

14. Quantitative Particulars
a) Capacities

| Class of Goods | Licenced Capacity | | Installed Capacity @ | |
|----------------------------------|-------------------|----------------|----------------------|-------------------|
| | 31.03.2011 | 31.03.2010 | 31.03.2011 | 31.03.2010 |
| Cold Forging Division | Not Applicable | Not Applicable | 20,000,000 Strokes | 20000000 Strokes |
| Hot and Warm Forging Division | " | " | 3,000,000 Strokes | 3,000,000 Strokes |
| Hot Forging Division | " | " | 6,000,000 Strokes | 6,000,000 Strokes |

@ Installed Capacity is as certified by the management

b) Production, Turnover and Stocks

All figures in Lakhs

| Class of Goods | Unit | Production | Opening Stock | Closing Stock | Sales Qty | Value (Rs.) |
|-------------------------------|------|------------|---------------|---------------|-----------|-------------|
| 1. Cold Forged Products | Nos. | 84.65 | 0.21 | 0.33 | 84.53 | 3575.12 |
| | | (70.53) | (0.85) | (0.21) | (71.17) | (2679.50) |
| 2. Hot & Warm Forged Products | Nos. | 53.46 | 0.30 | 0.40 | 53.36 | 7686.43 |
| | | (36.16) | (12.01) | (0.16) | (48.01) | (6315.08) |
| Total | | 138.11 | 0.51 | 0.73 | 137.89 | 11261.55 |
| | | (106.69) | (12.86) | (0.37) | (119.18) | (8994.58) |

Previous year figures are given within brackets

c) Consumption of Raw Materials

All figures in Lakhs

| | Unit | Quantity | | Value | |
|-----------------------------------|--------|----------|---------|---------|---------|
| | | 2010-11 | 2009-10 | 2010-11 | 2009-10 |
| Steel Strips / Wires / Rods/ Bars | Tonnes | 126.11 | 121.58 | 6545.31 | 5367.20 |
| Others | | - | - | - | - |
| Total | | 126.11 | 121.58 | 6545.31 | 5367.20 |

15. Gratuity:

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.

| 1 | Principal Actuarial Assumptions (Expressed as weighted averages) | As on | As on |
|---|---|----------------|----------------|
| | | 31.03.2011 | 31.03.2010 |
| | Discount Rate | 8.00% | 8.00% |
| | Salary Escalation | 6.00% | 8.00% |
| | | (Rs. in Lakhs) | (Rs. in Lakhs) |
| 2 | Table Showing changes in present value of Obligation as on 31.03.2011 | | |
| | Present value of obligations as at the beginning of the year | 31.33 | 24.10 |
| | Interest cost | 2.38 | 1.93 |
| | Current Service Cost | 6.13 | 4.53 |
| | Benefits Paid | -3.08 | -1.56 |
| | Actuarial (gain) / loss on obligations | -2.81 | 2.33 |
| | Present value of obligations as at end of the year | 33.96 | 31.33 |
| 3 | Table Showing changes in fair value of plan assets as on 31.03.2011 | | |
| | Fair value of plan assets at the beginning of the year | 39.19 | 25.24 |
| | Expected return on plan assets | 3.16 | 2.57 |
| | Contributions | 3.82 | 12.94 |
| | Benefits paid | -3.08 | -1.56 |
| | Actuarial (gain) / loss on plan assets | - | - |
| | Fair value of plan assets at the end of the year | 43.51 | 39.19 |



| | As on | As on |
|--|----------------|----------------|
| | 31.03.2011 | 31.03.2010 |
| | (Rs. in Lakhs) | (Rs. in Lakhs) |
| 4 Table showing fair value of plan assets | | |
| Fair value of plan assets at the beginning of the year | 39.19 | 25.24 |
| Actual return on plan assets | 3.58 | 2.57 |
| Contributions | 3.82 | 12.94 |
| Benefits paid | -3.08 | -1.56 |
| Fair value of plan assets at the end of the year | 43.51 | 39.19 |
| Funded status | 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 31.03.2011 | | |
| Actuarial (gain) / loss on obligations | -2.81 | -2.33 |
| Actuarial (gain) / loss for the year - plan assets | - | - |
| Actuarial (gain) / loss on obligations | -2.81 | 2.33 |
| Actuarial (gain) / loss recognized in the year | -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 | 33.96 | 31.33 |
| Fair value of plan assets as at the end of the year | 43.51 | 39.19 |
| Funded status | 9.56 | 7.86 |
| Net assets / (liability) recognized in Balance Sheet | 9.56 | -7.86 |
| 7 Expenses Recognized in statement of Profit and Loss | | |
| Current Service Cost | 6.13 | 4.53 |
| Interest Cost | 2.38 | 1.93 |
| Expected return on plan assets | -3.16 | -2.57 |
| Net Actuarial (gain) / loss recognized in the year | -3.23 | 2.33 |
| Expenses recognized in statement of Profit and Loss | 2.12 | 6.22 |
| 16. Auditor's remuneration represents: | | |
| a. For Statutory Audit | 2.50 | 2.00 |
| b. For others | 0.78 | 0.46 |
| | 3.28 | 2.46 |

17. The Company has only one reportable business segment namely manufacture of forged and machined components.

"As per our Report of even date"

V. RAJVIRDHAN
Executive Director

P. SHANMUGASUNDARAM
Director

For Haribhakti & Co.
Chartered Accountants
Firm Registration No. 103523W

Coimbatore
29.04.2011

A. JAMES CHANDRA MOHAN
Company Secretary

C.S. SATHYANARAYANAN
Membership No. 028328
Partner



| CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2011 | | (Rs. in Lakhs) |
|---|-------------------|-----------------|
| PARTICULARS | 31.03.2011 | 31.03.2010 |
| A Cash Flow from Operating activities | | |
| Net Loss Before Tax | (862.31) | (1,359.33) |
| Adjustments for : | | |
| Depreciation | 1,052.24 | 1,072.60 |
| Preliminary expenses written off | - | 0.60 |
| (Profit) / Loss on Sale of Assets (Net) | (531.49) | (67.93) |
| Interest Income | - | (10.73) |
| Bad debts written off & Provision for doubtful debts | - | 237.42 |
| Reinstatement of Debtors and Creditors | - | 32.14 |
| Interest Paid/other finance charges | 1031.58 | 964.46 |
| | 1,552.33 | 2,228.56 |
| Operating Profit before working capital changes | 690.02 | 869.23 |
| Trade and Other receivables | 248.99 | (188.27) |
| Inventories | (169.32) | 11.07 |
| Loans & advances | 99.35 | |
| Trade payable | (41.48) | 305.66 |
| | 137.54 | 128.46 |
| Cash generated from Operations | 827.56 | 997.69 |
| Direct taxes paid | - | (21.82) |
| Net Cash Flow from Operating activities | 827.56 | 975.87 |
| B Cash Flow from Investing Activities | | |
| Purchase of Fixed Assets | (109.58) | (352.66) |
| Sale of Fixed Assets | 819.18 | 296.26 |
| Interest received | - | 10.73 |
| Net Cash Flow from investing activities | 709.60 | (45.67) |
| C Cash Flow from Financing Activities | | |
| Long Term Borrowings (Net of Repayments) | (386.99) | (712.15) |
| Unsecured Loans | (115.48) | 1,114.56 |
| Working Capital Borrowings | 6.47 | (344.40) |
| Interest paid | (1031.58) | (964.46) |
| Net Cash Flow from financing activities | (1,527.58) | (906.45) |
| D Net Increase / (Decrease) in cash and cash equivalents (A+B+C) | 9.58 | 23.75 |
| Cash and cash equivalents as at 1.4.2010 and 1.4.2009 | 34.82 | 11.07 |
| (Opening Balance) | | |
| Cash and cash equivalents as at 31.3.2011 and 31.3.2010 | 44.40 | 34.82 |
| (Closing Balance) | | |

"As per our Report of even date"

V. RAJVIRDHAN
Executive Director

P. SHANMUGASUNDARAM
Director

For Haribhakti & Co.
Chartered Accountants
Firm Registration No. 103523W

Coimbatore
29.04.2011

A. JAMES CHANDRA MOHAN
Company Secretary

C.S. SATHYANARAYANAN
Membership No. 028328
Partner



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details:

Registration No U 2 7 3 1 0 T Z 2 0 0 6 P L C 0 1 2 8 3 0 State code 1 8

Balance Sheet Date 3 1 - 0 3 - 2 0 1 1

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

Public Issue NIL Scheme of arrangement / Rights Issue NIL
Bonus Issue NIL Private Placement NIL

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

Total Liabilities 1 1 0 0 5 0 0 Total Assets 1 1 0 0 5 0 0

Sources of funds

Paid-up Capital 1 0 0 0 0 1 Reserves & Surplus 2 8 9 8 8 5
Deferred Tax Liability NIL Unsecured Loans 1 5 2 4 7 1
Secured Loans 5 5 8 1 4 3

Application of Funds

Net Fixed Assets 5 0 6 0 2 1 Investments NIL
Net Current Assets 2 6 0 4 1 3 Accumulated Losses 3 3 4 0 6 6

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

Turnover 1 3 1 5 3 8 5 Total Expenditure 1 4 0 1 6 1 6
Profit Before Tax (8 6 2 3 1) Profit After Tax (8 6 2 3 1)
Earning per share (Rs.) (0 . 8 6) Dividend Rate (%) NIL

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

Item Code No. 7 3 2 6 9 0 . 1 7
Product Description S T E E L F O R G I N G S

V. RAJVIRDHAN
Executive Director

P. SHANMUGASUNDARAM
Director

Coimbatore
29.04.2011

A. JAMES CHANDRA MOHAN
Company Secretary

"As per our Report of even date"
For Haribhakti & Co.
Chartered Accountants
Firm Registration No. 103523W
C.S. SATHYANARAYANAN
Membership No. 028328
Partner

LGB FORGE LIMITED

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

ADMISSION SLIP

| | | | |
|----------------|--|--------------|--|
| Name of Member | | Folio No | |
| Name of Proxy | | No of Shares | |

I hereby record my presence at the 5th Annual General Meeting of the Company held on 15.06.2011 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 5th Annual General Meeting of the Company to be held on 15.06.2011 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 of2011.

Signed by the said.....

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

| |
|------------------------------------|
| Affix Re.1. Revenue Stamp |
|------------------------------------|

Applicable to investors holding shares in Electronic Form.

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

