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**LGB FORGE LIMITED**

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**Corporate Information****BOARD OF DIRECTORS**

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

**COMPANY SECRETARY**

Sri. A James Chandra Mohan

**AUDITORS**

M/s. Suri & Co.  
Chartered Accountants

**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.

**REGISTERED OFFICE**

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

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**4th ANNUAL GENERAL MEETING**

Date : 14th June, 2010  
Day : Monday  
Time : 08.30 A.M.  
Venue : **Ardra Convention Centre**  
Kaanchan,  
9, North Huzur Road  
Coimbatore- 641 018.  
Book Closure Dates : 08.06.2010 to 14.06.2010  
(Both Days Inclusive)

**Notice**

Notice is hereby given that the Forth Annual General Meeting of the Members of the Company will be held on Monday the 14<sup>th</sup> day of June , 2010 at 08.30 A.M. at Ardra Convention Centre, Kaanchan, 9, North Huzur Road, Coimbatore - 641 018, to transact the following businesses:

**AGENDA****ORDINARY BUSINESS**

1. To receive, consider and adopt the Balance Sheet as at 31<sup>st</sup> March, 2010 and the Profit and Loss Account for the year ended on that date and the Report of the Directors and the Auditors thereon..
2. To appoint a Director in the place of Sri. P. Shanmugasundaram, who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint a Director in the place of Sri. P. V. Ramakrishnan, who retires by rotation, and being eligible, offers himself for reappointment.
4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.

**“RESOLVED THAT** pursuant to the provisions of Section 224 and other applicable provisions, if any of the Companies Act, 1956, M/s. Haribhakti & Co., Chartered Accountants, be appointed as Statutory Auditors of the Company in place of retiring Auditors, M/s. Suri & Co., Chartered Accountants, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company, on a remuneration to be fixed by the Board of Directors of the Company based on the recommendation of the Audit Committee, in addition to the reimbursement of all out of pocket expenses in connection with audit of the accounts of the Company for the year ending March 31, 2011.

**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** Sri. Rajiv Parthasarathy, who was appointed as Additional Director of the Company and

who holds office until the date of the ensuing Annual General Meeting, pursuant to Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice from a member under Section 257 of the Companies Act, 1956, proposing his candidature, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

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

**“RESOLVED THAT** Sri. V. Rajvirdhan, who was appointed as Additional Director of the Company and who holds office until the date of the ensuing Annual General Meeting, pursuant to Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice from a member under Section 257 of the Companies Act, 1956, proposing his candidature, be and is hereby appointed as a Director of the company, liable to retire by rotation.”

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

**“RESOLVED that** pursuant to the provisions of Section 198, 269, and 309 and other applicable provisions, if any, of the Companies Act, 1956 (“the Act”) read with Schedule XIII thereto and subject to such approvals, if any as may be necessary, consent of the Company be and is hereby accorded to the appointment of Sri. V. Rajvirdhan as the Executive Director of the Company for a period of Three (3) years w.e.f. 01.02.2010, on the terms and conditions, as set out in the Explanatory Statement attached to this notice and hereby approved, with liberty to the Board of Directors to revise the terms as to remuneration, from time to time within the limits provided for in the said Schedule XIII or any amendment thereof for the time being in force.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956****Item No.4**

Although not necessary, the explanatory statement is being given in respect of Item No. 4 of the Notice.

M/s. Suri & Co., Chartered Accountants were appointed as Statutory Auditors of the Company for the year

2009 - 2010 at the last Annual General Meeting and their term of office ends at the conclusion of this Annual General Meeting. M/s. Suri & Co., has not sought re-appointment. In view of the above, the Board of Directors of the Company at its meeting held on April 29, 2010 recommended the appointment of M/s. Haribhakti & Co., Chartered Accountants, as the Statutory Auditor of the Company to hold office from the conclusion of the Annual General Meeting to be held on June 14, 2010 until the conclusion of the next Annual General Meeting.

M/s. Haribhakti & Co., have forwarded a certificate to the Company stating that their appointment, if made, will be within the limits specified in sub section (1B) of Section 224 of the Companies Act, 1956. Further, they have confirmed they are not disqualified to be appointed as Auditors under Section 226 of the Companies Act, 1956 and are not holding any securities of the Company.

**Item No.5**

Sri. Rajiv Parthasarathy was co-opted as an Additional Director of the Company with effect from 30.10.2009. Pursuant to Section 260 of the Companies Act, 1956 ("the Act"), Sri. Rajiv Parthasarathy holds office of Director upto the date of ensuing Annual General Meeting. The Company has received a notice in writing from a Member along with a deposit of Rs.500/- proposing the candidature of Sri. Rajiv Parthasarathy for the Office of the Director under the provisions of Section 257 of the Companies Act, 1956.

None of the Directors except Sri. B. Vijayakumar, & Sri. V. Rajvirdhan is interested in the resolution to the extent of his appointment.

The Board recommends the resolution set forth in Item No.5 for the approval of the members.

**Item No.6**

Sri. V. Rajvirdhan was co-opted as an Additional Director of the Company with effect from 28.01.2010. Pursuant to Section 260 of the Companies Act, 1956 ("the Act"), Sri. V. Rajvirdhan holds office of Director upto the date of ensuing Annual General Meeting. The Company has

received a notice in writing from a Member along with a deposit of Rs.500/- proposing the candidature of Sri. V. Rajvirdhan for the Office of the Director under the provision of Section 257 of the Companies Act, 1956.

None of the Directors except Sri. B. Vijayakumar, is interested in the resolution to the extent of his appointment.

The Board recommends the resolution set forth in Item No. 6 for the approval of the members.

**Item No.7**

The Board of Directors of the Company at its meeting held on 28<sup>th</sup> January 2010 has appointed Sri. V. Rajvirdhan as Executive Director of the Company subject to the approval of Shareholders for a period of 3 years w.e.f. 01-02-2010 at the remuneration, in accordance with norms laid down in Schedule XIII and other applicable provisions of the Companies Act, 1956.

Particulars	Rs Per Month.
Basic Salary Per Month	1,25,000
Provident fund 12% of Basic Salary	15,000
<b>Total</b>	<b>1,40,000</b>

The remuneration and perquisites shall be subject to the overall ceiling under Section 198 and 309 of the Act.

In the event of absence or inadequacy of profit in any financial year during the tenure of the Executive Director, salary and perquisites would be paid as above, subject to the ceiling limit specified under Paragraph 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956 as modified from time to time.

The Board recommends this resolution set out in Item No. 7 for approval of the members.

None of the Directors except Sri. B. Vijayakumar, Sri. Rajiv Parthasarathy & Sri. V. Rajvirdhan is interested or concerned in this resolution.

This may be treated as an abstract of variation pursuant to section 302 of the Companies Act, 1956.



1. General Information				
1	Nature of Industry	The Company is a Forging Component manufacturing Industry.		
2	Date of expected date of commencement of production.	Company was established in the year 2006 and had already commenced commercial production.		
3	In case of new companies expected date of commencement of activities as per project approved by Financial Institutions appearing in the prospectus.	Not Applicable		
4	Financial Performance	Particulars	31.03.2010	31.03.2009
		Turnover	10225.94	9429.25
		PBT	-1359.33	-1111.49
		PAT	-1359.36	-1118.99
		Rate of Dividend Declared	Nil	Nil
5	Export Performance and Non Forex Collaborations.	For the year ended 31-03-2010 Forex Earned : INR 1083.68 Forex Outgo : INR 55.36		
6	Foreign Investments of collaborators, if any.	Not Applicable		
II. Information about the appointee.				
1.	Background details	Sri. V. Rajvirdhan aged 26 years was appointed as Executive Director on 28 <sup>th</sup> January 2010. He has a degree in Industrial Engineering from Indiana Institute of Technology. His previous job title includes; heading of overall operations in the materials laboratory in Indiana Institute of Technology, and being an employee in the maintenance department of Indiana Institute of Technology. He has undergone internship training in LGB Operation for a period of 6 months		
2.	Past Remuneration	Rs. 25,000/- p m as management trainee in LGB Ltd.		
3.	Recognition or Awards	Nil		
4.	Job Profile and his suitability	Subject to the superintendence, direction and control of the Board of Directors, Sri. V. Rajvirdhan is responsible for the operations of the Company.		
5.	Remuneration Proposed	As mentioned in the notice. The remuneration payable has the approval of the Remuneration Committee and the Board of Directors.		

6.	Comparative remuneration profile to industry, size of the Company, profile of the position and person.	Commensurate with the size and the operations of the Company, the profile of the appointee, the responsibilities shouldered on him and the industry bench marks, the remuneration proposed to be paid is reasonable to that of the similar other companies.
7.	Pecuniary relationship directly or indirectly with the Company or relationship[ with the managerial personnel if any.	Besides the remuneration proposed, Sri. V. Rajvirdhan, the proposed appointee is the son of Sri. B. Vijayakumar, Non Executive Chairman of the Company.
<b>II</b>	<b>Other Information.</b>	
1	Reasons of loss or inadequate profits:	The slowdown in the Automotive Industry has resulted in substantial reduction in the off take of customers and the replacement market during the last two quarters of the financial year, which has resulted in steep reduction in the turnover and profits. Further, the Company has incurred losses primarily due to higher cost of Raw Material which could not be passed on to the Customers.
2	Steps taken or proposed to be taken for improvement	The Company will strive to widen its customer's base, increase market share, , enter new segments and step up market initiatives and look for overall growth in top line. Moreover Various cost reduction measures have been implemented, the benefit of which is likely to accrue to the Company in the coming year. The expected pick up in the economic activity should result in better performance during the year.
3	Expected increase in productivity and profits in measurable terms	There are signs of revival in economic activity which should lead to improvement prospects during the year.
<b>IV.</b>	<b>Disclosure</b>	
1	Remuneration package	As given in the Explanatory statement
2	Details to be furnished in Corporate Governance	Given under Remuneration to Directors in "Report on Corporate Governance.

**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 8<sup>th</sup> June 2010 to 14<sup>th</sup> June 2010 (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. Members seeking any information or clarifications on the Annual Report are requested to send the written queries to the Company at least Two Weeks before the meeting to enable the Company to compile the information and provide replies at the meeting.

Coimbatore  
29.04.2010

By Order of the Board,  
**A. JAMES CHANDRA MOHAN**  
Company Secretary

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

Name	Sri. P. Shanmugasundaram	Sri. P.V. Ramakrishnan	Sri. Rajiv Parthasarathy	Sri. V. Rajvirdhan
Date of Birth	10.08.1948	05.01.1959	03.11.1977	05.09.1983
Date of Joining the Board	04.04.2008	04.04.2008	30.10.2009	28.01.2010
Qualification	B.Com., L.L.B., F.C.A.,	B.E.,	B..S., (IE)	B. Sc., IME
Expertise in functional areas	Vast and Rich experience in Finance, Accounts & Taxation	More than 20 years as Industrialist	More than 10 years experience in Business	More than 3 years experience in Business
Shareholding in LGBFL	- NIL -	- NIL -	-Nil-	8475300
Other Directorship Held	L.G. Balakrishnan & Bros Ltd. Sabare International Ltd. D.S.M, Soft Private Ltd	Mikrosen Control Devices Private Ltd	South Western Engineering India Ltd. Metal Forms Private Ltd. Global Card Systems Private Ltd. CAC Software Consultancy Private Ltd. Indo Metals Press Private Ltd.	Elgi Automotive Services Ltd LG Farm Products Ltd Super Transports Private Ltd
Other Committee Membership	<b>Chairman Audit Committee</b> L.G. Balakrishnan & Bros Ltd. Sabare International Ltd. D.S.M, Soft Private Ltd	- NIL -	- NIL -	- NIL -

**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors take pleasure in presenting the 4<sup>th</sup> Annual Report of your Company together with the audited accounts for the year ended 31<sup>st</sup> March, 2010.

**FINANCIAL RESULTS:**

The summary of the financial performance of the Company for the year ended 31<sup>st</sup> March, 2010 as compared to the previous year is as below

Particulars	31-03-2010 (Rs. in Lakhs)	31-03-2009 (Rs. in Lakhs)
Profit before Interest, Depreciation & Tax	677.74	964.10
Less:		
Interest	964.47	1009.76
Depreciation	1072.60	1065.83
<b>Profit/ (Loss) Before Tax</b>	<b>(1359.33)</b>	<b>(1111.49)</b>
Less : Short Provisions for Income Tax for earlier years	0.03	-
Fringe Benefit Tax	-	7.50
<b>Profit / (Loss) After Tax</b>	<b>(1359.36)</b>	<b>(1118.99)</b>
Add : Balance brought forward	(1118.99)	-
Amount transferred to Balance Sheet	<b>(2478.35)</b>	<b>(1118.99)</b>

**DIVIDEND**

In view of the losses, current and accumulated, your Directors regret their inability to recommend dividend for the year 2009-2010.

**PERFORMANCE OF THE COMPANY**

During the year under review, your Company's gross revenue is Rs.10395.27 lakhs [Previous Year: Rs.9612.77 lakhs]. Gross Profit / (Loss) before interest, depreciation and tax amounted to Rs.677.74 lakhs [Previous Year (Rs.964.10 lakhs)]. The Net Loss came to Rs.1359.36 lakhs [Previous Year Rs.1118.99 lakhs]. The major contributories to Net Loss in the financial year under review were due to major increase in raw material prices, adverse forex fluctuations, and write off bad debts and provisions.

**SHARE CAPITAL**

Subsequent to the Special Resolution passed by the members of the Company in their EGM held on 6th January, 2010 to issue 6 Equity Shares, Re.1/- each on Preferential Basis to Promotor and Promotor group in order to consolidate the Equity Shares of Re.1/- to Rs.10/-, the Board decided to defer the implementation of the

consolidation of the Equity Shares as well as issue of 6 Equity Shares of Re.1/- each due to technical difficulties.

**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 2010-2011 have been paid to them well before the due date i.e. April 30, 2010. The Company has also paid the annual custodian fees to NSDL & CDSL for the Securities of the Company held in dematerialized mode with them for the year 2010-11.

**DIRECTORS:**

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Sri. P. Shanmugasundaram and Sri. P.V. Ramakrishnan are liable to retire by rotation and are eligible for re-appointment.

Sri. V. Rajvirdhan and Sri. Rajiv Parthasarathy joined the Board as Additional Directors and will hold office till the ensuing Annual General Meeting.

Sri. P.S. Balasubramanian, Managing Director and Smt. Rajsri Vijayakumar, Director have resigned from the Company with effect from 28<sup>th</sup> January, 2010. Your Directors wish to place on record the valuable services rendered by them during their tenure of their office as Directors.

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

**PUBLIC DEPOSITS:**

The amount of Fixed Deposit available with the Company as on 31<sup>st</sup> March, 2010 is Rs.1,00,00,000/- (Rupees One Crore only)

**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. Suri & Co., Chartered Accountants, will retire at the ensuing Annual General Meeting. The Board at its meeting held on April 29, 2010 on the recommendation of the Audit Committee has proposed the appointment of M/s. Haribhakti & Co., Chartered Accountants as Auditors to audit the accounts of the Company for the financial year 2010. You are requested to consider their appointment.

Your Directors wish to place on record their sincere appreciation of the valuable contribution made by M/s. Suri & Co., Chartered Accountants to our Company.

**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 31<sup>st</sup> March, 2010 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 employees of the Company. Your Directors would also like to thank all the shareholders for their continued confidence in the Company.

Coimbatore  
29.04.2010

By Order of the Board  
**V. RAJVIRDHAN**  
Executive Director

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

The Company is making continuous efforts to conserve and optimize energy wherever practicable by economizing on fuel and power.

**FORM A**
**Current Year 2009-2010**
**Previous year 2008-2009**

<b>A. POWER AND FUEL CONSUMPTION</b>	<b>Forging Mysore</b>	<b>Forging Coimbatore</b>	<b>Forging Coimbatore (CFD)</b>	<b>Forging Mysore</b>	<b>Forging Coimbatore</b>	<b>Forging Coimbatore (CFD)</b>
<b>1) Electricity</b>						
<b>a) Purchased</b>						
Units in Lakhs	<b>54.60</b>	<b>7.96</b>	<b>15.01</b>	57.42	28.81	13.65
Total Amount in Rs. in Lakhs	<b>285.22</b>	<b>38.25</b>	<b>68.77</b>	286.75	117.12	54.54
Rate per unit in Rs.	<b>5.22</b>	<b>4.81</b>	<b>4.58</b>	4.99	4.07	4.00
<b>b) Own Generation</b>						
<b>i) Through Diesel Generator</b>						
Units in Lakhs	<b>Nil</b>	<b>3.40</b>	<b>6.53</b>	Nil	1.51	3.17
Units per Liter of Diesel oil	<b>Nil</b>	<b>3.20</b>	<b>3.18</b>	Nil	2.55	3.39
Cost per Unit Rs.	<b>Nil</b>	<b>11.22</b>	<b>10.56</b>	Nil	14.22	10.69
<b>ii) Through Windmill Generation</b>						
Units in Lakhs	<b>Nil</b>	<b>12.99</b>	<b>17.73</b>	Nil	Nil	15.99
Total amount in Rs.	<b>Nil</b>	<b>45.47</b>	<b>62.06</b>	Nil	Nil	55.99
Cost per Unit	<b>Nil</b>	<b>3.50</b>	<b>3.50</b>	Nil	Nil	3.50
<b>iii) Furnace Oil</b>						
Qty. (K.Ltrs)	<b>530.43</b>	<b>Nil</b>	<b>50.00</b>	421.33	Nil	Nil
Total amount in Rs.	<b>127.25</b>	<b>Nil</b>	<b>11.12</b>	123.48	Nil	Nil
Rate per K. Ltr. (Rs.)	<b>25.87</b>	<b>Nil</b>	<b>22.24</b>	29.31	Nil	Nil
<b>iv) Others:- Fuel Oil</b>						
Qty. (K.Ltrs)	<b>336.87</b>	<b>Nil</b>	<b>Nil</b>	234.00	Nil	Nil
Total amount in Rs.	<b>123.11</b>	<b>Nil</b>	<b>Nil</b>	74.55	Nil	Nil
Rate per K. Ltr (Rs.)	<b>36.54</b>	<b>Nil</b>	<b>Nil</b>	31.86	Nil	Nil



## FORM B

**1. RESEARCH & DEVELOPMENT**

a) Specific areas in which R & D is carried out by the company	a. Process Engineering, b. Process improvement and c. Product feasibility.
b) Benefits derived as a result of the above R & D	a. Increase in competitiveness, b. Increase in turn over and c. Better control of process and product capabilities
c) Future plan of Action :	Initialize robotics plan to increase overall productivity.
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.10.22 Lakhs Rs. 10.22 Lakhs 0.1%

**2. TECHNOLOGY, ABSORPTION, ADAPTATION AND INNOVATION**

a) Efforts, in brief, made towards technology absorption, adaptation and innovation	a. Robotics b. Tooling R & D
b) Benefits derived as a result of the above efforts e.g., Product improvement, cost reduction, import substitution etc.	a. Product improvement. b. Process improvement c. Increased competitiveness in the market
c) In case of Imported Technology during the last 5 Years reckoned from the beginning of the financial year, following information may be furnished. 1) Technology Imported 2) Year of Import 3) Has technology been fully absorbed 4) If not fully absorbed, areas where this has not taken place reasons therefore and future plan of action.	- - - -

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

Foreign Exchange earned through Exports amount to : Rs. 1083.68 Lakhs  
Foreign Exchange used : Rs. 55.56 Lakhs

By Order of the Board

Coimbatore  
29.04.2010

V. RAJVIRDHAN  
Executive Director

P. SHANMUGASUNDARAM  
Director

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

Your company's operation has been greatly affected due to continued recession in the western world. This forced the Company to accept orders at very low prices and the product portfolio had to be changed continuously. The quality cost due to such continuous change of product has also impacted our profitability. Raw materials prices have also continuously fluctuated aggravating the situation. With this the power crisis with frequent shut down has caused enormous losses due to material rejection in the CNC Divisions

Each problem is being addressed to the best of the management ability and the Company is confident of turning around in the current year. Your company will be part of the country's growth pattern and it will better its results in the current year.

**OPPORTUNITIES**

The Industrial development in India has been very good and it is continually in a expansion rate in the current year. With particular reference to our Company's Product the growth of the 4 wheeler automotive market has been excellent.

**THREATS**

Hardening of interest rates, lack or inadequate credit facilities extended by the banks to the customers, materials and other inputs, fluctuating foreign currency, pricing pressure, global recession etc., are threat thrown to the auto component industry. Any economic slow down leading to reduced growth in the vehicle industry, inflationary pressure and spiraling of input cost due to external factors may influence the profitability of the company.

**RISKS AND CONCERNS**

The company recognizes that proper risk identification, evaluation and mitigation would help to achieve its target of sustained profitability and growth.

The upward variation in raw material prices adversely affects profitability. Hence the company constantly monitors raw material price and revises the selling prices of its' products accordingly.

The risk is assessed in Strategic Planning and Business Review & Planning. The Company continues to comply

with the strictest of the environmental norms and regulations.

**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 2010 was 285.

**RISK MANAGEMENT.**

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

**CAUTIONARY STATEMENT**

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

By Order of the Board

Coimbatore  
29.04.2010

**V. RAJVIRDHAN**  
Executive Director

**P. SHANMUGASUNDARAM**  
Director

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

LGB Forge believes in maximizing shareholders value 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	§ Membership in Committees of Other Companies		Relationship interse Directors
		Board Meeting	Last AGM		Mem-ber	Chair-man	
Sri. B. Vijayakumar Chairman	Non- Executive Promoter	5	Yes	10	2	-	Father of Smt. Rajsri Vijayakumar & Sri. V. Rajvidhan
Sri. P.S. Balasubramanian Managing Director**	Executive Non- Independent	4	Yes	-	-	-	
Smt. Rajsri Vijayakumar**	Non-Executive Non- Independent	2	Yes	6	-	-	Daughter of Sri. B. Vijayakumar
Sri. K.N.V. Ramani	Non- Executive Independent	4	No	6	2	2	
Sri. P.Shanmugasundaram	Non- Executive Independent	5	Yes	2	-	2	
Sri.P.V.Ramakrishnan	Non- Executive Independent	2	Yes	-	-	-	
Sri. Harsha Lakshmikanth*	Non- Executive Independent	4	Yes	1	-	-	
Sri. V. Rajvirdhan*	Executive Non-Independent	1	-	2	1	-	Son of Sri. B. Vijayakumar
Sri. Rajiv Parthasarathy*	Non- Executive Non-Independent	2	-	1	-	-	Son-in-Law of Sri. B. Vijayakumar

\*\* Sri. P.S. Balasubramanian & Smt. Rajsri Vijayakumar resigned as Directors with effect from 28.01.2010

\* Sri. Rajiv Parthasarathy & Sri. V. Rajvirdhan was appointed as Additional Director with effect from 30.10.2009 and 28.01.2010.

@ Exclude directorship in Private Companies and Foreign Companies.

§ Only Audit Committee and Investor Grievance Committee are considered.

**Details of the Board meetings held during the financial year 2009 - 2010**

The Board met Five times during the Financial Year 2009 - 2010 on 22-05-2009, 27-07-2009, 30-10-2009, 27-11-2009 and 28-01-2010.

**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.

**Composition**

In compliance of Clause 49 of the Listing Agreement , the Audit Committee was reconstituted on 28.01.2010. The Audit Committee consists of the following members

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	2
Sri. Harsha Lakshmikanth	Independent	Member	3

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

Sri. A James Chandra Mohan Company Secretary, acted as Secretary to the Committee. The Audit Committee would assure to the Board, compliance of adequate internal control system and financial disclosure and other issues confirming to the requirement 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 2009 - 2010, 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.Shanmugasunadarm	Independent	Member
Sri. P.V. Ramakrishnan	Independent	Member

**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.

During the year ended March 31st, 2010, only one meeting of this committee was held i.e. on 28th January, 2010.

The Company currently does not have any stock option scheme.

Details of Remuneration paid to Directors during the financial year 2009-2010 :

- a) Remuneration paid/payable to the Executive Directors for the financial year ended March 31, 2010 is given as under :

Name	Salary and perquisites Rs. in Lakhs	Service Contract
Sri. P.S. Balasubramanian, Managing Director	20.61	Retired with effect from 28.01.2010. He was appointed for a period of 3 years as Managing Director from 01.04.2008
Sri. V. Rajvirdhan, Executive Director	2.80	Appointed for a period of 3 years with effect from 01.02.2010 as Executive Director

- b) Remuneration paid/payable to the Non-Executive Directors for the financial year ended March 31, 2010 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	20,000
Smt. Rajsri Vijayakumar	10,000
Sri. P. Shanmugasundaram	24,000
Sri. P.V. Ramakrishnan	12,000
Sri. Harsha Lakshmikanth	16,000
Sri. K.N.V. Ramani	16,000
Sri. Rajiv Parthasarathy	8,000
Total	106,000

- 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, 2010 :

Name	No. of shares held as on 31.03.2010	% of Holding
Sri. B. Vijayakumar	11,632,200	11.63
Sri. K.N.V. Ramani	-	-
Sri. P. Shanmugasundaram	-	-
Sri. P.V. Ramakrishnan	-	-
Sri. Rajiv Parthasarathy	-	-
Sri. Harsha Lakshmikanth	-	-

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	Member

The Committee deals in matters relating to transfer and transmission of Securities, issue of duplicate Securities certificates and looks into the Shareholders / Investor complaints, if any, on transfer of Securities, non-receipt of dividend, annual report etc. During the year under review, the Committee met 16 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. Disclosures**

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

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

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

The Company complies with all the requirements of the Listing Agreement including the mandatory requirements of Clause 49 of the Listing 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.

**8. 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 concerned Senior Level Management and Report any matter of concern.

**9. Means of Communication**
**(i) Quarterly and Half-yearly financial results**

Quarterly/ Half-yearly financial results of the Company are published in one widely circulated English Newspaper (Financial Express) and a Vernacular (Tamil) Newspaper (Malai Malar). The results are also promptly forwarded to Stock Exchanges in which the Securities of the Company are listed and simultaneously displayed in Corpfile and on the Company's website [www.lgbforge.co.in](http://www.lgbforge.co.in). The Company has a dedicated help desk with email ID: [a.james@lgb.co.in](mailto:a.james@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.

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

Year	Date	Time	Location	Special Resolution Passed
2007	10.09.2007	11.15 A.M.	6/16/13, Krishnarayapuram Road, Ganapathy, Coimbatore- 641006	No Special Resolution Passed
2008	30.04.2008	10.35 A.M.	6/16/13, Krishnarayapuram Road, Ganapathy, Coimbatore- 641006	a. The Company has passed a Special Resolution in the year 2007-08 approving the Amendment of the Memorandum of Association & Articles of Association of the Company. 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
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 or place of profit as an employee of the Company.
2010	06.01.2010	11.00 A.M.	Ardra Convension Centre Kaanchana, 9, North Huzur Road Coimbatore- 641018	The Company has passed Special Resolution, a) for allotment of 6 equity shares to promoter & promoter group on Preferential basis. b) Alteration in Capital Clause of Articles of Association. c) Consolidation of Equity Shares from Re.1/- to Rs.10/-

**Whether any special Resolution passed through Postal Ballot**

No resolution has been passed by the Company's shareholders through Postal Ballot during the Financial Year 2009-10 and there is no special resolution proposed to be passed through Postal Ballot in the ensuing Annual General Meeting.

**11. Shareholder Information :**

1. Annual General Meeting is proposed to be held at 08.30 A.M. on 14th June, 2010 at Ardra Convention Centre, Kaanchan, 9, North Huzur Road, Coimbatore- 641 018.

2. Financial Calendar

Financial Year : April to March

For the year ended 31st March 2010, results were announced on 29.04.2010.

**Financial Year - 2010 - 2011**

Quarter ending June 2010 - End of July 2010

Quarter ending September 2010 - End of October 2010

Quarter ending December 2010 - End of January 2011

Year ended 31-03-2011 - End of May 2011

3. Date of Book Closure - 08.06.2010 to 14.06.2010 (both days inclusive)
4. Listing on Stock Exchanges - Bombay and National Stock Exchanges.
5. Securities Code - Bombay Stock Exchange Ltd. Equity 533007  
- The National Stock Exchange of India Ltd. - LGBFORGE-EQ
6. ISIN Number - Equity : INE201J01017

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

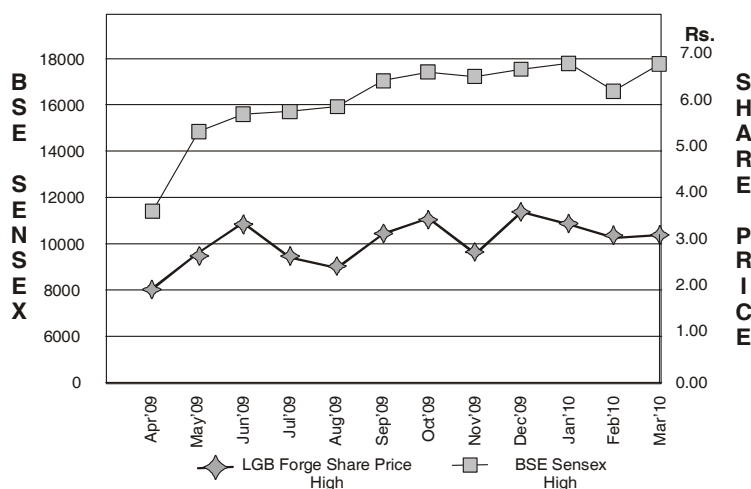
The Company has paid Annual Listing Fees to Bombay Stock Exchange Limited and National Stock Exchange of India Limited .

7. Stock market price data for the year 2009-2010

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	1.95	1.35	2.01	1.40
May	2.80	1.55	2.79	1.60
June	3.50	2.30	3.44	2.25
July	2.70	2.10	2.70	2.18
August	2.60	2.15	2.50	2.13
September	2.90	2.25	3.24	2.25
October	3.70	2.60	3.57	2.50
November	2.80	2.30	2.82	2.21
December	3.70	2.25	3.70	2.33
January	3.50	2.85	3.44	2.90
February	3.10	2.55	3.15	2.52
March	3.25	2.60	3.20	2.40

Note: The Face Value is Re. 1/-



**8. Distribution of Shareholding as on 31st March, 2010.**

Range	No. of Holders	No. of Shares	% of Shares
1 - 500	11589	2,604,528	2.60
501 - 1000	3028	2,615,141	2.62
1001 - 2000	1703	2,669,427	2.67
2001 - 3000	583	1,525,758	1.53
3001 - 4000	380	1,366,832	1.37
4001 - 5000	274	1,314,910	1.31
5001 - 10000	534	3,984,618	3.98
10001 - and above	499	83,919,820	83.92
<b>Total</b>	<b>18,590</b>	<b>100,001,034</b>	<b>100.00</b>

**9. Registrar & Securities Transfer/Demat Agent**

Company's Securities transfer work and dematerialization of Securities is done by M/s. Cameo Corporate Services Limited, "Subramanian Building" No 1, Club House Road, Chennai- 600 002.

**10. Securities Transfer System**

The Securities transfers are registered and returned within a period of 20 days of receipt if documents are in order. The Securities transfers are approved by the Securities Transfer committee which meets as and when required.

**11. Pattern of Shareholding :**

Sl. No.	Category	No. of Share holders	No. of Shares held	% to paid-up capital
1	Promoters and promoters group	23	55,411,215	55.41
2	Mutual Funds / UTI	-	-	-
3	Financial Institutions, Banks	2	16,020	0.02
4	Insurance Companies	1	135,960	0.14
5	Foreign Institutional Investors / NRI / OCB	91	5,680,860	5.68
6	Bodies Corporate	407	2,840,669	2.84
7	Public	18,066	35,916,310	35.91
	<b>Total</b>	<b>18,590</b>	<b>100,001,034</b>	<b>100.00</b>

**12. Dematerialization of Shares as on 31st March, 2010.**

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	57,453,289	57.45
Central Depository Services (India) Limited	4,437,262	4.44
Physical	38,110,483	38.11
<b>Total</b>	<b>100,001,034</b>	<b>100.00</b>

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

-Nil-

**14. 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 31<sup>st</sup> March, 2010.

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

**15. 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.

**16. 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 - 3911121 Fax : 0422 - 3911163 E-Mail : a.james@lgb.co.in

**17. 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 31<sup>st</sup> March, 2010.

**18. Plant Locations**

The Company's plants are located as under

<b>1. Mysore</b> Plot 80 & 81, K.R.S Road Metagalli Post, Mysore- 570 016	<b>2. Piliappampalayam Village</b> Kumarapalayam Post Coimbatore -641653	<b>3. Kondayampalayam</b> Pillayar Koil Street, Near Power House Kottaipalayam Post Coimbatore- 641 110
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Coimbatore  
29.04.2010

**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 31.03.2010. 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  
29.04.2010

**CS.P. ESWARAMOORTHY**  
Company Secretary in Practice  
7/25, Sri Sakthi Complex,  
Nanjundapuram Road,  
Ramanathapuram, Coimbatore  
ACS.NO.15930, CP NO.7069

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

I V. Rajvidhan, Executive Director of M/s. LGB Forge Limited, certify that

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

Coimbatore  
29.04.2010

**V. RAJVIRDHAN**  
Executive Director

**REPORT OF THE AUDITOR'S TO THE SHAREHOLDERS**

We have audited the attached Balance Sheet of LGB Forge Limited, Coimbatore, as at 31<sup>st</sup> March, 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto and the cash flow statement for the period ended on that date. 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.

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 the management, as well as evaluating the over all financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies' (Auditor's Report) Order, 2003, and according to the information and explanations given to us during the course of the audit and on the basis of such checks as were considered appropriate, we enclose in the Annexure a statement on the matters specified in paragraph 4 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- 1] We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- 2] In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books.

Coimbatore  
29.04.2010

- 3] The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.
- 4) In our opinion the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- 5) On the basis of the written representation received from the Directors, as on 31<sup>st</sup> March, 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2010 from being appointed as a Director in terms of Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.
- 6) In our opinion and to the best of our information, and according to the explanations given to us, the said financial statements, read together with the attached schedules and notes forming part of accounts give the information required by the Companies Act, 1956, in the manner so required and present 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 31<sup>st</sup> March 2010; and
  - 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 flow for the year ended on that date.

For Suri & Co.  
Chartered Accountants  
**C.S. SATHYANARAYANAN**  
Membership No. 028328  
Partner  
Firm Registration No. 42835

**ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in our report of even date)

1.
  - a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - b) The assets have been physically verified by the management in accordance with a phased programme of verification, which in our opinion, is reasonable, considering the size and the nature of business. The frequency of verification is reasonable and discrepancies noticed on such physical verification were not material and have been properly dealt with in books of accounts.
  - c) There is no disposal of substantial part of Fixed Assets during the year.
- 2)
  - a) The inventories have been physically verified by the management during the year at reasonable intervals.
  - b) The procedures of physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
  - c) The company has maintained proper records of inventories and discrepancies noticed on physical verification of inventories as compared to book records were not material and have been appropriately dealt with.
- 3)
  - a) During the year the company has not granted loans, secured or unsecured to companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956.
  - b) The terms and conditions in respect of loans already granted by the company, are in our opinion, prima-facie not prejudicial to the interest of the company.
  - c) During the year the company has taken unsecured loans from various person 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	365	1
Receipts during the year	1825	8
Repayment during the year	1200	2
Closing during the year	990	7

- d) 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.
4. There are adequate internal control systems commensurate with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of goods and services. There is no major weakness in the internal control system. The company continues its process of strengthening its internal control systems.
5.
  - a) The particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
  - 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 rupees five lakh each have been made at prices, which are reasonable having regard to prevailing market prices at the relevant time.
6. During the year the company has accepted deposits from public. The company has complied with the directives issued by Reserve Bank of India and the provisions of Section 58A, 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 or any other relevant provisions of the act.
7. The Company has an adequate Internal Audit system commensurate with its size and nature of its business. The company continues its process of strengthening its internal audit system.

8. 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.
9. a) According to the information and explanations given to us and the records examined by us, 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, custom duty, excise duty, cess and other statutory dues. According to the information and explanations given to us, no undisputed arrears of statutory dues were outstanding as at 31<sup>st</sup> March, 2010 for a period of more than six months from the date they became payable.  
b) There are no disputed statutory dues.
10. The Company has not defaulted in repayment of its dues to financial institutions and banks.
11. During the year, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
12. The provisions of Special Statutes applicable to Chit Fund, Nidhi or Mutual Benefit Fund/Societies are not applicable to the Company.
13. The Company is not dealing or trading in shares, securities, debentures or other investments.
14. According to the information and explanations given to us, the Company has not given guarantee during the year for loans taken by others.
15. The Company has applied term loan for the purposes for which they were obtained.
16. According to the information and explanations given to us and on an overall examination of the Source and Application of the Funds of the company, we report that no funds raised on short-term basis have been used for long-term investments by the company.
17. 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.
18. During the year, the Company has not raised money by Public issue.
19. According to the information and explanation given to us, and the books and records examined by us, there are no frauds on or by the Company that has been noticed or reported during the year.
20. The other clauses of the order are not applicable to the company.

Coimbatore  
29.04.2010

For **Suri & Co.**  
Chartered Accountants  
**C.S. SATHYANARAYANAN**  
Membership No. 028328  
Partner  
Firm Registration No. 42835

**BALANCE SHEET AS AT 31.03.2010**

	Schedule	31.03.2010 (Rs. in Lakhs)		31.03.2009 (Rs. in Lakhs)	
<b>SOURCES OF FUNDS :</b>					
<b>SHAREHOLDERS' FUNDS:</b>					
Share Capital	I	1000.01		1000.01	
Reserves & Surplus	II	2898.85	3898.86	2939.40	3939.41
<b>BORROWED FUNDS:</b>					
Secured Loans	III	5961.95		7018.49	
Unsecured Loans	IV	1640.18	7602.13	525.62	7544.11
<b>Total Capital Employed</b>			<b>11500.99</b>		<b>11483.52</b>
<b>APPLICATION OF FUNDS:</b>					
<b>FIXED ASSETS V</b>					
Gross Block		10632.56		10235.06	
Less: Accumulated Depreciation		4352.52		3421.81	
Net Block			6280.04		6813.25
Capital Work-in-progress			10.51		466.12
			<b>6290.55</b>		<b>7279.37</b>
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>					
Inventories	VI	1687.84		1698.91	
Sundry Debtors	VII	2965.67		2784.98	
Cash and Bank Balances	VIII	34.82		11.07	
Loans and Advances	IX	509.17		758.90	
	(A)	<b>5197.50</b>		<b>5253.86</b>	
<b>CURRENT LIABILITIES AND PROVISIONS</b>					
Liabilities	X	2465.41		2169.30	
Provisions	XI	-		-	
	(B)	<b>2465.41</b>		<b>2169.30</b>	
<b>NET CURRENT ASSETS (A - B)</b>			<b>2732.09</b>		<b>3084.56</b>
Miscellaneous Expenditure (to the extent not written off or adjusted)					
Preliminary Expenses			-		0.60
Debit Balance in Profit & Loss Account			2478.35		1118.99
<b>Total Assets</b>			<b>11500.99</b>		<b>11483.52</b>

Accounting Policies &amp; Notes on Accounts XXII

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

"As per our Report of even date"

For Suri &amp; Co.

Chartered Accountants

C.S. SATHYANARAYANAN

Membership No. 028328

Partner

Firm Registration No. 42835

V. RAJVIRDHAN  
Executive DirectorP. SHANMUGASUNDARAM  
DirectorCoimbatore  
29.04.2010A. JAMES CHANDRA MOHAN  
Company Secretary

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2010**

	Schedule	31.03.2010 (Rs. in Lakhs)	31.03.2009 (Rs. in Lakhs)
<b>INCOME</b>			
Sales & Services		10976.77	10558.19
Less : Excise Duty		750.83	1128.94
<b>Net Sales</b>	<b>XII</b>	<b>10225.94</b>	<b>9429.25</b>
Increase/(Decrease) in Stock of			
Finished Goods	XIII	21.54	13.23
Other Income	XIV	147.79	168.79
		<b>10395.27</b>	<b>9611.27</b>
<b>EXPENDITURE</b>			
Raw Materials & Components Consumed	XV	5420.63	5079.39
Processing Charges		893.80	757.23
Power & Utilities		912.50	711.75
Stores & Spares Consumed		639.20	701.76
Employees' Cost	XVI	743.32	679.84
Repairs & Maintenance	XVII	173.37	158.08
Selling & Distribution Expenses	XVIII	380.30	320.20
Other Expenditure	XIX	554.41	238.92
<b>Total Expenditure</b>		<b>9717.53</b>	<b>8647.17</b>
Profit before Interest and Depreciation			
		677.74	964.10
Less : Interest & Finance Charges	XX	964.47	1009.76
Depreciation	V	1072.60	1065.83
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		<b>(1359.33)</b>	<b>(1111.49)</b>
Less : Short Provision for Income Tax earlier years		0.03	-
Provision for Fringe Benefit Tax		-	7.50
Provision for Deferred Tax		-	-
<b>PROFIT / (LOSS) AFTER TAX</b>		<b>(1359.36)</b>	<b>(1118.99)</b>
Add : Balance brought forward		(1118.99)	-
<b>Amount transferred to Balance Sheet</b>		<b>(2478.35)</b>	<b>(1118.99)</b>
Earnings per Share (Basic) in Rupees Face Value Re.1/-	XXI	(1.36)	(1.12)

Accounting Policies & Notes on Accounts XXII  
Schedules V, XII to XXII form part of this Profit & Loss Account

"As per our Report of even date"

V. RAJVIRDHAN  
Executive Director

P. SHANMUGASUNDARAM  
Director

For Suri & Co.  
Chartered Accountants

Coimbatore  
29.04.2010

A. JAMES CHANDRA MOHAN  
Company Secretary

C.S. SATHYANARAYANAN  
Membership No. 028328

Partner  
Firm Registration No. 42835

**SCHEDULES TO BALANCE SHEET**

	31.03.2010 (Rs. in Lakhs)	31.03.2009 (Rs. in Lakhs)
<b>SHARE CAPITAL - I</b>		
Authorised :		
12,00,00,000 Equity Shares of Re.1/- each		
	1200.00	1200.00
	1200.00	1200.00
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)	1000.01	1000.01
<b>RESERVES AND SURPLUS - II</b>		
<b>CAPITAL RESERVE &amp; REVALUATION RESERVE</b>		
Capital Reserve as per demerger scheme	2898.85	2898.85
<b>REVALUATION RESERVE</b>		
As per demerger scheme	-	40.55
	2898.85	2939.40
<b>SECURED -LOANS - III</b>		
From Banks :		
a) Term Loans :		
Rupee Term Loans	4076.67	4788.82
b) Working Capital Borrowings :		
Rupee Cash credit Facilities	1724.75	2229.67
Packing Credit facilities	160.53	-
	5961.95	7018.49
<b>UNSECURED LOANS - IV</b>		
From		
- Directors	400.00	-
- Others	100.00	-
Sales Tax Deferral Scheme	150.18	160.62
Banks	500.00	-
Inter Corporate Deposit	490.00	365.00
	1640.18	525.62



**SCHEDULES TO BALANCE SHEET**

**FIXED ASSETS - V**

Rs. in lakhs)

	Gross Block				Depreciation				Net Block	
	Cost as on 01.04.2009	Additions during 2009-10	Sale / Transfer during 2009-10	Balance as on 31.03.2010	Upto 31.03.2009	For 2009-10	With-drawn during 2009-10	Total Upto 31.03.2010	as on 31.03.2010	as on 31.03.2009
<b>a) Tangible Assets</b>										
Land	138.22	-	-	138.22	-	-	-	-	138.22	138.22
Buildings	1,230.73	0.52	-	1,231.25	231.06	98.38	-	329.44	901.81	999.67
Plant & Machinery	8,277.82	759.58	366.33	8,671.07	2,989.29	907.48	129.47	3,767.30	4,903.77	5,288.53
Furniture, Fittings & Equipments	555.48	20.30	44.44	531.34	192.90	63.24	12.42	243.72	287.62	362.58
Vehicles	18.24	0.53	-	18.77	8.56	2.59	-	11.15	7.62	9.68
<b>Total Tangible Assets</b>	<b>10,220.49</b>	<b>780.93</b>	<b>410.77</b>	<b>10,590.65</b>	<b>3,421.81</b>	<b>1,071.69</b>	<b>141.89</b>	<b>4,351.61</b>	<b>6,239.04</b>	<b>6,798.68</b>
<b>b) Intangible Assets</b>										
Computer Software	14.57	27.34	-	41.91	-	0.91	-	0.91	41.00	14.57
Technical Know-how	-	-	-	-	-	-	-	-	-	-
<b>Total Intangible Assets</b>	<b>14.57</b>	<b>27.34</b>	<b>-</b>	<b>41.91</b>	<b>-</b>	<b>0.91</b>	<b>-</b>	<b>0.91</b>	<b>41.00</b>	<b>14.57</b>
<b>Sub Total</b>	<b>10,235.06</b>	<b>808.27</b>	<b>410.77</b>	<b>10,632.56</b>	<b>3,421.81</b>	<b>1,072.60</b>	<b>141.89</b>	<b>4,352.52</b>	<b>6,280.04</b>	<b>6,813.25</b>
Capital Work - in-Progress	-	-	-	-	-	-	-	-	10.51	466.12
<b>Total Assets</b>	<b>10,235.06</b>			<b>10,632.56</b>				<b>4,352.52</b>	<b>6,290.55</b>	<b>7,279.37</b>

	31.03.2010 (Rs. in Lakhs)	31.03.2009 (Rs. in Lakhs)
<b>INVENTORIES - VI</b>		
(At lower of cost and net realisable value)		
(As certified by Chairman & Executive Director)		
Stock of Stores & Spares and Tools	526.79	481.15
Raw Materials & Components	616.96	489.02
Works in Process	422.61	628.80
Finished Goods	121.48	99.94
	<b>1687.84</b>	<b>1698.91</b>
<b>SUNDRY DEBTORS - VII</b>		
Unsecured Considered Good		
a. Outstanding for a period exceeding six months	165.57	1266.84
b. Others	2800.10	1518.14
	<b>2965.67</b>	<b>2784.98</b>
Unsecured Considered Doubtful	27.08	
Less : Provision for Doubtful Debts	27.08	-
	<b>2965.67</b>	<b>2784.98</b>

**SCHEDULES TO BALANCE SHEET**

	31.03.2010 (Rs. in Lakhs)	31.03.2009 (Rs. in Lakhs)
<b>CASH AND BANK BALANCES - VIII</b>		
Cash on hand	0.96	0.68
Balances with Scheduled Banks		
- In Current Account	32.53	4.59
- In Fixed Deposit Account	1.33	5.80
	<u>34.82</u>	<u>11.07</u>
<b>LOANS AND ADVANCES - IX</b>		
Advances Recoverable in cash or in kind or for value to be received and considered good - Unsecured	42.07	300.10
Balances with Government Authorities	291.56	321.15
Deposits	140.54	125.15
Prepaid expenses	5.69	4.98
Tax payments pending adjustment (Net of provision)	29.31	7.52
	<u>509.17</u>	<u>758.90</u>
<b>CURRENT LIABILITIES - X</b>		
Sundry Creditors	2465.41	2169.30
(Due to Micro, Small and Medium Enterprises is NIL)		
Investor Education and Protection Fund Items, not due:-		
Unclaimed Dividend	-	-
	<u>2465.41</u>	<u>2169.30</u>
<b>PROVISIONS - XI</b>		
For Taxation	-	-
For Fringe Benefit Tax	-	-
For Dividend	-	-
For Tax on Dividend	-	-
	<u>-</u>	<u>-</u>
<b>SCHEDULES TO PROFIT AND LOSS ACCOUNT</b>		
<b>INCOME - XII</b>		
<b>SALES AND SERVICE CHARGES</b>		
<b>Domestic Sales &amp; Service Charges</b>		
Sale of Finished products (incl. of excise duty.)	9745.41	9495.72
Service Charges	58.38	38.65
	<u>9803.79</u>	<u>9534.37</u>
<b>Export Sales</b>		
Sale of finished products	1172.98	1023.82
	<u>10976.77</u>	<u>10558.19</u>

**SCHEDULES TO PROFIT AND LOSS ACCOUNT**

	31.03.2010 (Rs. in Lakhs)	31.03.2009 (Rs. in Lakhs)
<b>INCREASE / (DECREASE) IN STOCK OF FINISHED GOODS - XIII</b>		
Stock at Closing	121.48	99.94
Less : Stock at Opening	99.94	86.71
	<u>21.54</u>	<u>13.23</u>
<b>OTHER INCOME - XIV</b>		
Interest Received (TDS Rs. 0.22 lakhs)	10.73	24.11
Rent Received (TDS Rs. 4.43 lakhs)	52.09	43.97
Sundry Income	5.55	8.57
Foreign Exchange Gain (Net)	-	80.47
Depb Claim	11.49	13.17
Profit/(Loss) on Sales of Asset (Net)	67.93	(1.50)
	<u>147.79</u>	<u>168.79</u>
<b>RAW MATERIALS &amp; COMPONENTS CONSUMED - XV</b>		
Opening Stock		
a. Raw materials & Components	489.02	670.17
b. Work-in-process	628.80	1,353.90
	<u>1117.82</u>	<u>2024.07</u>
Add : Purchases & other expenses	5342.38	4,843.31
	<u>6460.20</u>	<u>6,867.38</u>
Less : Closing Stock		
a. Raw materials & Components	616.96	489.02
b. Work-in-process	422.61	1,117.82
	<u>1039.57</u>	<u>1606.84</u>
Total Raw Materials & Components Consumed	<u>5420.63</u>	<u>5,079.39</u>
<b>EMPLOYEES' COST - XVI</b>		
a) Managerial Remuneration	23.41	24.00
b) Pay, Allowances & Bonus	621.33	558.44
c) Company's Contribution to Provident Fund & Gratuity Fund	32.78	32.07
d) Welfare Expenses	65.80	65.33
	<u>743.32</u>	<u>679.84</u>

**SCHEDULES TO PROFIT AND LOSS ACCOUNT**

	31.03.2010 (Rs. in Lakhs)	31.03.2009 (Rs. in Lakhs)
<b>REPAIRS AND MAINTENANCE - XVII</b>		
Machinery	122.22	121.89
Building	26.04	19.65
Others	25.11	16.54
	<u>173.37</u>	<u>158.08</u>
<b>SELLING AND DISTRIBUTION EXPENSES - XVIII</b>		
Selling Expenses	104.55	75.03
Freight & Forwarding	275.75	245.17
	<u>380.30</u>	<u>320.20</u>
<b>OTHER EXPENDITURE - XIX</b>		
Printing & Stationery	6.55	5.55
Postage, Telegram and Telephone	15.24	17.67
Rent on building	3.28	0.11
Rental charges on machinery	35.49	6.77
Rates, taxes & Licence	17.70	5.70
Insurance	12.09	9.78
Travelling & Conveyance	73.88	54.00
Advertisement, Publicity & Sales Promotion	0.90	3.52
Directors' Sitting Fees	1.06	1.02
Auditor's Remuneration	2.46	2.00
Professional Charges, Books and Periodicals	44.65	94.30
Foreign Exchange Loss (Net)	70.45	-
Miscellaneous Expenses	10.44	18.55
Watch & ward expenses	22.81	19.95
Bad debts written off	210.33	-
Provision for bad & doubtful debts	27.08	-
	<u>554.41</u>	<u>238.92</u>
<b>INTEREST &amp; FINANCE CHARGES - XX</b>		
On Fixed Loans	483.27	606.32
On Others	412.15	368.97
Bank charges	69.05	34.47
	<u>964.47</u>	<u>1,009.76</u>
<b>EARNING PER SHARE (BASIC) - XXI</b>		
a. Profit / (Loss) After Tax	(1359.36)	(1,118.99)
b. Equity Share of Re.1/- each (Nos. in Lakhs)	1000.01	1,000.01
c. Earnings per Share (a/b)	<u>(1.36)</u>	<u>(1.12)</u>

**SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

ACCOUNTING POLICIES AND NOTES FORMING PART OF  
ACCOUNTS FOR THE YEAR ENDED 31-03-2010

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

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

**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 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 recognised in previous periods.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

**3. Investments**

- a) Long Term Investments are stated at cost.
- b) Current Investments are carried at lower of cost and fair value as on the Balance Sheet date.
- c) Provisions for diminution in value of long term investments is made, if the diminution is other than temporary.

**4. 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.

**5. 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) Dividend Income is recognized when the right to receive the dividend is unconditional at the Balance Sheet date.

- d) 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.

**6. 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.
- c) Premium / discount in respect of Forward Contract is amortized as expense / income over the period of contract. Exchange difference arising on forward contracts between the exchange rate on the date of the transaction and the exchange rate prevailing at the year end is recognized in the Profit & Loss account.

**7. 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.

**8. 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.

**9. 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.

**10. 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.

**11. Cash flow statement**

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

**12. Leases**

Leases are classified as finance or operating leases depending upon the terms of the lease agreements. Assets held under finance leases are recognised as assets of the Company on the date of acquisition and depreciated over their estimated useful lives. Finance costs are treated as period cost using effective interest rate method and are expensed accordingly. Rentals payable under operating leases are expenses as incurred.

**SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**
**13. CENVAT/Service Tax**

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

**14. Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for

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

**15. 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 Axis Bank is secured by the hypothecation of Plant and Machineries purchased out of the said loans and are collaterally secured by the equitable mortgage by deposits of title deeds of certain immovable properties and the corporate guarantee given by M/s. L.G. Balakrishnan & Bros Limited.

- b) 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 collaterally secured by hypothecation of existing block of assets of the company excluding those specific machineries charged to Banks/Financial Institution.

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 stated.
5. Power and fuel are net of own generation.
6. Micro, Small and Medium enterprises

There are no Micro, Small and Medium Enterprises in respect of whom the company's 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.

7. Consequent to demerger the company is in the process of transferring the title deeds in the name of the company.
8. Preliminary expenses have been written off in accordance with the accounting standard on intangible.
9. Figures have been rounded off to the nearest thousand.
10. Previous years figures have been regrouped wherever necessary to conform to the current years classification.



11 CONTINGENT LIABILITIES Rs. in Lakhs

		31.03.2010	31.03.2009
a	Guarantee given by Bankers and outstanding	101.30 +	153.00
b	Amount outstanding on letters of Credit	703.64	35.97
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

12 Earnings per share

	31.03.2010	31.03.2009
Profit / (Loss) after taxation as per Profit & Loss Account	(1359.36) +	(1118.99)
Number of equity shares outstanding	1000.01	1000.01
Basic and diluted earnings per share in rupee face value - Re.1/- per share	(1.36)	(1.12)

13. 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 Ltd      | j. LGB Fuel Systems Private Ltd          |
| c. L.G.B Auto Products Ltd          | k. BCW V Tech India Private Ltd          |
| d. LG Farm Products 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) 2009-10	Total (Rs. in Lakhs) 2008-09
Managerial Remuneration	-	-	23.41	23.41	24.00
I C Deposits given Opening Balance	40.60	-	-	40.60	180.00
Add amount given	-	-	-	-	-
Less amount received back	40.60	-	-	40.60	139.40
I C Deposits given Closing Balance	-	-	-	-	40.60
Loan Receipts	175.00	470.00	30.00	675.00	365.00
Loan Payment	200.00	-	-	200.00	-
Interest Payment	63.41	22.50	0.97	86.88	1.10
Interest Receipts	2.08	-	-	2.08	11.02
Purchase of Power, Spares, Processing/ Conversion charges payment	409.18	-	-	409.18	149.08
Rent Receipts	18.26	-	-	18.26	6.07
Sale of Power, Stores, Materials and Service Charges	564.34	-	-	564.34	150.53
Sale of Asset	332.70	-	-	332.70	-
Lease charges receipts	43.49	-	-	43.49	37.91
Lease charges payments	18.68	-	-	18.68	0.10
Amount payable as on closing date	661.79	470.00	30.00	1161.79	1084.13
Amount receivable as on closing date	17.01	-	-	17.01	106.26

**14. DETAILS OF MANAGERIAL REMUNERATION :**

	31.03.2010 (Rs. in Lakhs)	31.03.2009 (Rs. in Lakhs)
<b>Sri. P.S. Balasubramanian - Managing Director</b>		
Salaries and Allowances	18.75	21.70
Contribution to Provident Fund	1.86	2.30
	<u>20.61</u>	<u>24.00</u>
<b>Sri. V. Rajvirdhan - Executive Director</b>		
Salaries and Allowances	2.50	-
Contribution to Provident Fund	0.30	-
	<u>2.80</u>	<u>-</u>

**15. Details of Foreign Exchange Earnings and Outgo :**

**(a) Expenditure in Foreign Currency (on payment basis)**

	31.3.2010 (Rs. in Lakhs)	31.3.2009 (Rs. in Lakhs)
Travelling	5.57	2.45
Technical know-how fee	1.94	38.25
Consultancy Fees	19.12	24.89
Others	-	5.79
	<u>26.63</u>	<u>71.38</u>



	31.03.2010 (Rs. in Lakhs)	31.03.2009 (Rs.in Lakhs)
<b>(b) Value of Imports calculated on CIF basis in respect of</b>		
Raw Materials	4.94	6.79
Stores and Spare Parts	-	-
Machinery	-	-
	4.94	6.79

<b>(c) Earnings in Foreign Exchange</b>		
On account of Export of Goods at FOB value	1083.68	977.41

	Imported		Indigenous		Total	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009	31.03.2010	31.03.2009
Raw Materials (Including Expenses)						
Value	4.94	6.79	5362.26	5034.83	5367.20	5041.62
Percentage	0.09	0.14	99.91	99.86	100.00	100.00
Stores & Spares (Including Expenses)						
Value	-	-	639.20	701.76	639.20	701.76
Percentage	-	-	100.00	100	100.00	100.00
Packing Materials						
Value	-	-	53.43	37.78	53.43	37.78
Percentage	-	-	100.00	100	100.00	100.00

**16. Quantitative Particulars**

**a) Capacities**

Class of Goods	Licenced Capacity		Installed Capacity @	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009
Cold Forging Division	Not Applicable	Not Applicable	240000 Strokes	240000 Strokes
Hot and Warm Forging Division	"	"	3075 Tonnes	3000 Tonnes
Hot Forging Division	"	"	9600 Tonnes	9600 Tonnes

@ 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.	70.53 (59.39)	0.85 (0.81)	0.21 (0.85)	71.17 (59.35)	2679.50 (2315.21)
2. Hot & Warm Forged Products	Nos.	36.16 (52.25)	12.01 (9.57)	0.16 (12.01)	48.01 (49.81)	6884.64 (7075.39)
<b>Total</b>		106.69	12.86	0.37	119.18	9564.14 (9390.60)

Previous year figures are given within brackets

**c) Consumption of Raw Materials**

	Unit	Quantity		Value	
		2009-10	2008-09	2009-10	2008-09
Steel Strips / Wires / Rods/ Bars	Tonnes	121.58	144.02	5367.20	5041.62
Others				-	-
<b>Total</b>		<b>121.58</b>	<b>144.02</b>	<b>5367.20</b>	<b>5041.62</b>

**17. Gratuity:**

Description of the Company's defined benefit Plan:

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

<b>1</b>	<b>Principal Actuarial Assumptions (Expressed as weighted averages)</b>	<b>As on</b>	<b>As on</b>
		<b>31.03.2010</b>	<b>31.03.2009</b>
	Discount Rate	<b>8.00%</b>	<b>8.00%</b>
	Salary Escalation	<b>6.00%</b>	<b>8.00%</b>
			(Rs. In Lakhs)
<b>2</b>	<b>Table Showing changes in present value of Obligation as on 31.03.2010</b>		
	Present value of obligations as at the beginning of the year	<b>24.10</b>	
	Interest cost	<b>1.93</b>	
	Current Service Cost	<b>4.53</b>	
	Benefits Paid	<b>-1.56</b>	
	Actuarial (gain) / loss on obligations	<b>2.33</b>	
	Present value of obligations as at end of the year	<b>31.33</b>	<b>24.10</b>
<b>3</b>	<b>Table Showing changes in fair value of plan assets as on 31.03.2010</b>		
	Fair value of plan assets at the beginning of the year	<b>25.24</b>	<b>0.00</b>
	Expected return on plan assets	<b>2.57</b>	<b>0.78</b>
	Contributions	<b>12.94</b>	<b>27.39</b>
	Benefits Paid	<b>-1.56</b>	<b>-2.93</b>
	Actuarial (gain) / loss on plan assets	<b>-</b>	<b>-</b>
	Fair value of plan assets at the end of the year	<b>39.19</b>	<b>25.24</b>
<b>4</b>	<b>Table showing fair value of plan assets</b>		
	Fair value of plan assets at the beginning of the year	<b>25.24</b>	
	Actual return on plan assets	<b>2.57</b>	
	Contributions	<b>12.94</b>	
	Benefits Paid	<b>-1.56</b>	
	Fair value of plan assets at the end of the year	<b>39.19</b>	

“As per our Report of even date”

**V. RAJVIRDHAN**  
Executive Director

**P. SHANMUGASUNDARAM**  
Director

Coimbatore  
29.04.2010

**A. JAMES CHANDRA MOHAN**  
Company Secretary

For **Suri & Co.**  
Chartered Accountants  
**C.S. SATHYANARAYANAN**  
Membership No. 028328  
Partner  
Firm Registration No. 42835



	As on	As on
	31.03.2010	31.03.2009
<b>5 Actuarial Gain / Loss recognized as on 31.03.2010</b>		
Actuarial (gain) / loss on obligations	-2.33	
Actuarial (gain) / loss for the year - plan assets	-	
Actuarial (gain) / loss on obligations	2.33	
Actuarial (gain) / loss recognized in the year	2.33	
<b>6 The amounts to be recognized in the balance sheet and statements of profit and loss</b>		
Present value of obligation as at the end of the year	31.33	24.10
Fair value of plan assets as at the end of the year	39.19	25.24
<b>7 Expenses Recognised in statement of Profit and Loss</b>		
Current Service Cost	4.53	
Interest Cost	1.93	
Expected return on plan assets	-2.57	
Net Actuarial (gain) / loss recognized in the year	2.33	
Expenses recognised in statement of Profit and Loss	6.22	

## 18. Auditor's remuneration represents:

a. For Statutory Audit	2.00	2.00
b. For Taxation & others	0.46	-
	2.46	2.00

## 19. 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

Coimbatore  
29.04.2010

**A. JAMES CHANDRA MOHAN**  
Company Secretary

For **Suri & Co.**  
Chartered Accountants  
**C.S. SATHYANARAYANAN**  
Membership No. 028328  
Partner  
Firm Registration No. 42835



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2010**

(Rs. in Lakhs)

PARTICULARS	31.03.2010	31.03.2009
<b>A Cash Flow From Operating Activities</b>		
Net Loss Before Tax	(1,359.33)	(1,111.49)
Adjustments for :		
Depreciation	1,072.60	1,065.83
Preliminary expenses written off	0.60	0.15
(Profit) / Loss on Sale of Assets	(67.93)	1.50
Interest Income	(10.73)	(24.11)
Bad debts written off & Provision for doubtful debts	237.42	-
Reinstatement of Debtors and Creditors	32.14	
Interest Paid/other finance charges	964.46	1,009.76
	<u>2,228.56</u>	<u>2,053.13</u>
Operating Profit before working capital changes	869.23	941.64
Trade and Other receivables	(188.27)	(395.78)
Inventories	11.07	195.04
Trade payable	305.66	1,145.26
	<u>128.46</u>	<u>944.52</u>
Cash generated from Operations	997.69	1,886.16
Direct taxes paid	(21.82)	(15.51)
Net Cash Flow from Operating activities	975.87	1,870.65
<b>B Cash Flow from Investing Activities :</b>		
Purchase of Fixed Assets	(352.66)	(441.22)
Sale of Fixed Assets	296.26	-
Interest received	10.73	24.11
Net Cash used in investing activities	(45.67)	(417.11)
<b>C Cash Flow from Financing Activities :</b>		
Long Term Borrowings (Net of Repayments)	(712.15)	(336.17)
Unsecured Loans	1,114.56	365.00
Working Capital Borrowings	(344.40)	(470.33)
Interest paid	(964.46)	(1,009.76)
Net Cash Used in financing activities	(906.45)	(1,451.26)
<b>D Net increase / (Decrease) in cash and cash equivalents (A+B+C)</b>	23.75	2.28
Cash and cash equivalents as at 1.4.2009 and 1.4.2008(*)	11.07	8.79
(Opening Balance)		
Cash and cash equivalents as at 31.3.2010 and 31.3.2009	34.82	11.07
(Closing Balance)		

Note(\*): Includes cash and cash equivalents consequent to scheme of arrangement.

“As per our Report of even date”

**V. RAJVIRDHAN**  
Executive Director

**P. SHANMUGASUNDARAM**  
Director

For **Suri & Co.**  
Chartered Accountants

Coimbatore  
29.04.2010

**A. JAMES CHANDRA MOHAN**  
Company Secretary

**C.S. SATHYANARAYANAN**  
Membership No. 028328  
Partner  
Firm Registration No. 42835

**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	0
---	---	---	---	---	---	---	---	---	---

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

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

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

Total Liabilities	Total Assets
1 1 5 0 0 9 9	1 1 5 0 0 9 9

**Sources of funds**

Paid-up Capital	Reserves & Surplus
1 0 0 0 0 1	2 8 9 8 8 5
Deferred Tax Liability	Unsecured Loans
NIL	1 6 4 0 1 8
Secured Loans	
5 9 6 1 9 5	

**Application of Funds**

Net Fixed Assets	Investments
6 2 9 0 5 5	NIL
Net Current Assets	Accumulated Losses
2 7 3 2 0 9	2 4 7 8 3 5

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

Turnover	Total Expenditure
1 0 3 9 5 2 7	1 1 7 5 4 6 0
Profit Before Tax	Profit After Tax
( 1 3 5 9 3 3 )	( 1 3 5 9 3 6 )
Earning per share (Rs.)	Dividend Rate (%)
( 1 . 3 6 )	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
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**V. RAJVIRDHAN**  
Executive DirectorCoimbatore  
29.04.2010**P. SHANMUGASUNDARAM**  
Director**A. JAMES CHANDRA MOHAN**  
Company Secretary

"As per our Report of even date"

For **Suri & Co.**  
Chartered Accountants  
**C.S. SATHYANARAYANAN**  
Membership No. 028328  
Partner  
Firm Registration No. 42835



**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 4th Annual General Meeting of the Company held on 14.06.2010 at 08.30 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 appoint .....of .....failing him.....of .....as my/our Proxy to attend and vote for me/us on my/our behalf at the 4th Annual General Meeting of the Company to be held on 14.06.2010 at 08.30 A.M. at Ardra Convention Centre, Kaanchan, 9, North Huzur Road, Coimbatore- 641 018 and any adjournment thereof.

As Witness by my/our hands(s) this .....day of .....2010.

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.