



LGB FORGE LIMITED

Our Company was incorporated in India on June 7, 2006 as LGB Forge Limited under the provisions of the Companies Act, 1956. Our Company received Certificate of Commencement of Business on June 21, 2006, issued by the Registrar of Companies, Coimbatore, Tamil Nadu. The Corporate Identification Number L27310TZ2006PLC012830. For further details, please see section “History and Other Corporate Matters” on page 64 of this Letter of Offer.

Registered Office: 6/16/13, Krishnarayapuram Road, Ganapathy Post, Coimbatore 641 006, Tamil Nadu, India

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Contact Person: Mr. A James Chandra Mohan, Company Secretary and Compliance Officer

E-mail: lbgpy@vsnl.net; **Website:** www.lgbforge.co.in

PROMOTER OF THE COMPANY: MR. B. VIJAYAKUMAR

FOR PRIVATE CIRCULATION TO THE EQUITY SHAREHOLDERS OF OUR COMPANY ONLY

ISSUE OF 50,000,517 EQUITY SHARES OF FACE VALUE OF ₹ 1 EACH AT A PREMIUM OF ₹ 1.75 PER EQUITY SHARE (“EQUITY SHARES”) FOR AN AMOUNT AGGREGATING ₹ 1,375.01 LACS ON A RIGHTS BASIS TO THE EXISTING EQUITY SHAREHOLDERS OF LGB FORGE LIMITED (“THE COMPANY” OR THE “ISSUER”) IN THE RATIO OF ONE EQUITY SHARE FOR EVERY TWO FULLY PAID-UP EQUITY SHARE(S) HELD (I.E., 1:2) BY THE EXISTING EQUITY SHAREHOLDERS ON THE RECORD DATE, THAT IS ON [●], 2011 (THE “ISSUE”). THE ISSUE PRICE IS 2.75 TIMES THE FACE VALUE.

FOR FURTHER DETAILS, PLEASE SEE “TERMS OF THE ISSUE” ON PAGE 141 OF THIS LETTER OF OFFER.

GENERAL RISK

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, Investors must rely on their own examination of our Company and the Issue including the risks involved. The securities being offered in the Issue have not been recommended or approved by Securities and Exchange Board of India (the “SEBI”) nor does SEBI guarantee the accuracy or adequacy of this Letter of Offer. **Investors are advised to refer to the “Risk Factors” on page ix of this Letter of Offer before making an investment in the Issue.**

COMPANY’S ABSOLUTE RESPONSIBILITY

Our Company, having made all reasonable inquiries, accepts responsibility for and confirms that this Letter of Offer contains all information with regard to our Company and the Issue, which is material in the context of the Issue, that the information contained in the Letter of Offer is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which make this Letter of Offer as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The existing Equity Shares are listed on the Bombay Stock Exchange Limited (“BSE”) and the National Stock Exchange of India Limited (“NSE”). We have received “in-principle” approvals from the BSE and the NSE for listing the Equity Shares arising from the Issue vide their letters dated [●] and [●], respectively. For the purposes of the Issue, the Designated Stock Exchange is BSE.

LEAD MANAGER TO THE ISSUE	REGISTRAR TO THE ISSUE
<p style="font-size: 24pt; color: red; margin: 0;">KEYNOTE</p> <p>Keynote Corporate Services Limited 4th Floor, Balmer Lawrie Building, J.N. Heredia Marg, Ballard Estate, Mumbai – 400001 Tel: +91–22– 30266000-3 Fax: +91–22– 22694323 E-mail: lgb.rights@keynoteindia.net Website: www.keynoteindia.net Contact Person: Mr. Chintan Hefa SEBI Registration No.: INM 000003606</p>	<div style="text-align: center;">  CAMEO </div> <p>Cameo Corporate Services Limited “Subramanian Building”, No 1, Club House Road, Chennai- 600 002 Tel: +91-44-28460390 Fax: +91-44-28460129 E-mail: cameo@cameoindia.com Website: www.cameoindia.com Contact Person: Mr R.D Ramaswamy SEBI Registration Number: INR000003753* <small>* The registration certificate was valid till March 31, 2011. The registrar has made an application vide its letter dated December 30, 2010 with SEBI for renewal of its certificate of registration.</small></p>

ISSUE PROGRAMME

ISSUE OPENS ON	LAST DATE FOR REQUEST FOR SPLIT APPLICATION FORMS	ISSUE CLOSES ON
[●]	[●]	[●]

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SECTION I – GENERAL

DEFINITIONS AND ABBREVIATIONS

Definitions

In this Letter of Offer, unless the context otherwise requires, the terms defined and abbreviations expanded herein below shall have the same meaning as stated in this section.

In this Letter of Offer, unless otherwise indicated or the context otherwise requires, all references to “LGB Forge Limited”, “LGB Forge”, the/our “Company”, “we”, “our”, “us” or similar terms are to LGB Forge Limited or, as the context requires, and references to “you” are to the equity shareholders and/ or prospective investors in the Equity Shares.

Conventional/ General Terms

Term	Description
Act/ Companies Act	The Companies Act, 1956 and amendments thereto
Depositories Act	The Depositories Act, 1996 and amendments thereto
EPS	Earnings Per Share
IT Act	The Income Tax Act, 1961 and amendments thereto
Indian GAAP	Generally Accepted Accounting Principles In India
NAV	Net Asset Value per share
PAT	Profit After Tax
RONW	Return on Net Worth
SEBI Act, 1992	Securities and Exchange Board of India Act, 1992 and amendments thereto
SEBI Regulations/ SEBI ICDR Regulations	The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and amendments thereto
Securities Act	United States Securities Act of 1933, as amended
Takeover Regulations	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and amendments thereto
Wealth Tax Act	The Wealth Tax Act, 1957 and amendments thereto.

Issue related terms

Term	Description
Abridged Letter of Offer	The abridged letter of offer to be sent to the Equity Shareholders as on the Record Date with respect to this Issue in accordance with SEBI Regulations
Allotment	Unless the context requires, the allotment of Equity Shares pursuant to the Issue
Allottees	Persons to whom Equity Shares are issued pursuant to the Issue
Application Supported by Blocked Amount/ ASBA	The application (whether physical or electronic) used compulsorily by QIB and those investors who have applied for Equity Shares for a cumulative amount of more than ₹ 2 lacs and optionally by Retail Individual Investors to make an application authorizing the SCSB to block the amount payable on application in their specified bank account
ASBA Account	Account maintained with a SCSB which will be blocked by such SCSB to the extent of the appropriate amount in relation to an application by an ASBA Investor
ASBA Investor	An investor (either Equity Shareholder or Renouncee) who is intending to subscribe the Equity Shares of our Company under this Issue applying through blocking of funds in a bank account maintained with SCSBs.



Term	Description
	All QIBs and Non-Institutional Investors, complying with the above conditions, must mandatorily invest through the ASBA process. All Retail Individual Investors complying with the above conditions may optionally apply through the ASBA process
Bankers to the Issue	ICICI Bank Limited, Capital Market Divisions, 30, Raj Bhadur Mansion, Fort, Mumbai 400 001
Composite Application Form / CAF/ Application Form/ Application	The form used by an Investor to make an application for the Allotment of Equity Shares in the Issue
Consolidated Certificate	In case of holding of Equity Shares in physical form, the certificate that our Company would issue for the Equity Shares Allotted to one folio
Controlling Branches of the SCSBs	Such branches of the SCSBs which coordinate with the Lead Manager, the Registrar to the Issue and the Stock Exchanges, a list of which is available on http://www.sebi.gov.in/pmd/scsb.html
Designated Stock Exchange	Bombay Stock Exchange Limited or BSE
Draft Letter of Offer/ DLOF	The Draft Letter of Offer dated December 5, 2011 filed with SEBI for its observations.
NECS	National Electronic Clearing Services
Equity Share(s) or Share(s)	Equity shares of our Company having a face value of ₹ 1 each unless otherwise specified in the context thereof
Equity Shareholder / Shareholder	Means a holder of Equity Shares of our Company
Financial Year/ Fiscal/ Fiscal Year/ FY	Any period of twelve months ended March 31 of that particular year, unless otherwise stated.
Issue/ Rights Issue	Issue of 50,000,517 Equity Shares with a face value of ₹ 1 each at a premium of ₹ 1.75 per Equity Share for an amount not exceeding ₹ 1,375.01 lacs on a rights basis to the existing Equity Shareholders in the ratio of one Equity Share for every two fully paid-up Equity Share(s) held (i.e., 1:2) by the existing Equity Shareholders on the Record Date. The issue price is 2.75 times the face value of the Equity Shares.
Investor(s)	Equity Shareholders as on Record Date and/or Renounees applying in the Issue.
Issue Closing Date	[●]
Issue Opening Date	[●]
Issue Price	₹ 2.75 per Equity Share.
Issue Proceeds	The proceeds of the Issue that are available to our Company
Issue Size	The issue of 50,000,517 Equity Shares for an amount aggregating to ₹ 1,375.01 lacs
Lead Manager/ LM	Keynote Corporate Services Limited
Letter of Offer	The final letter of offer to be filed with the Stock Exchanges after incorporating the observations received from the SEBI on the Draft Letter of Offer
Listing Agreement	The listing agreements entered into between our Company and the Stock Exchanges
MICR	Magnetic Ink Character Recognition.
Non Institutional Investors	All Investors including sub-accounts of FIIs registered with SEBI, which are foreign corporate or foreign individuals, that are not QIBs or Retail Individual Investors and who have applied for Equity Shares for a cumulative amount more than ₹ 2 lacs
Preference Shares	Redeemable Preference shares of our Company having a face value of ₹ 100/-



Term	Description
	each unless otherwise specified in the context thereof
Promoter	The Promoter of our Company, being Mr. B. Vijayakumar
Promoter Group	Unless the context requires otherwise, the entities forming part of the promoter group in accordance with the SEBI Regulations and which are disclosed by our Company to the Stock Exchanges from time to time
Offer Document	means Draft Letter of Offer/ Letter of Offer/ Abridged Letter of Offer
QIBs or Qualified Institutional Buyers	Public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual fund registered with SEBI, FIIs and subaccount registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, multilateral and bilateral development financial institution, venture capital fund registered with SEBI, foreign venture capital investor registered with SEBI, state industrial development corporation, insurance company registered with IRDA, provident fund with minimum corpus of ₹ 2,500 lacs, pension fund with minimum corpus of ₹ 2,500 lacs, National Investment Fund set up by the Government of India and insurance funds set up and managed by the army, navy or air force of the Union of India and insurance funds set up and managed by the Department of Posts, India
Record Date	[●]
Refund through electronic transfer of funds	Refunds through NECS, Direct Credit, RTGS, NEFT or ASBA process, as applicable
Registrar of Companies/ RoC	The Registrar of Companies, Tamil Nadu located at Stock Exchange Building, II-floor, 683, Trichy Road, Singanallur, Coimbatore - 641 005
Registrar to the Issue	Cameo Corporate Services Limited
Renounees	Any persons who have acquired Rights Entitlements from the Equity Shareholders through renunciation
Retail Individual Investors	Individual Investors who have applied for Equity Shares for an amount not more than ₹ 2 lacs (including HUFs applying through their Karta)
Rights Entitlement	The number of Equity Shares that an Investor is entitled to in proportion to the number of Equity Shares held by the Investor on the Record Date
Equity Shares	Equity Share(s) issued to shareholders in this Issue
RTGS	Real Time Gross Settlement
SAF(s)	Split Application Form(s)
SCSB(s)	A Self Certified Syndicate Bank registered with SEBI under the SEBI (Bankers to an Issue) Regulations, 1994 and offers the facility of ASBA, including blocking of bank account. A list of all SCSBs is available at http://www.sebi.gov.in
Share Certificate	The certificate in respect of the Equity Shares allotted to a folio with a split performance
Stock Exchange(s)	BSE and NSE where the Equity Shares are presently listed and traded

Company Related and Industry Related Terms

Term	Description
ACMA	Automotive Component Manufacturers Association of India
Articles/ Association/ AoA	Articles of Association of our Company, as amended
Auditor	M/s Haribhakti & Co., Chartered Accountants, our statutory auditors
BPCL	Bharat Petroleum Corporation Limited



Term	Description
Board/ Board of Directors	Board of Directors of our Company including any committees thereof.
CNC	Computer Numerical Control
CV	Commercial Vehicles
DG sets	Diesel Generators sets
FDBN	Foreign Demand Bill Negotiation
HPCL	Hindustan Petroleum Corporation Limited
IOC	Indian Oil Corporation Limited
KSPCB	Karnataka State Pollution Control Board
LCV	Light Commercial Vehicles
LDO	Light Diesel Oil
M&HCV	Medium and Heavy Commercial Vehicles
Memorandum/Memorandum of Association/ MOA/ MoA	The memorandum of association of our Company, as amended
PCL	Packing Credit Loan
PV	Passenger Vehicles
Registered Office	The registered office of our Company situated at 6/16/13, Krishnarayapuram Road, Ganapathy Post, Coimbatore – 641 006, Tamil Nadu, India
SIAM	Society of Indian Automobile Manufacturers
TNPCB	Tamil Nadu Pollution Control Board

Abbreviations

Term	Description
ADR	American Depository Receipt
AGM	Annual General Meeting
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
BSE	Bombay Stock Exchange Limited
CDSL	Central Depository Services (India) Limited
CEPS	Cash Earnings Per Share
DIN	Director Identification Number
DP	Depository Participant
DR	Depository Receipts
EGM	Extraordinary General Meeting
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999
FII(s)	Foreign Institutional Investors registered with SEBI under applicable laws.
FIPB	Foreign Investment Promotion Board
GDR	Global Depository Receipt
HUF	Hindu Undivided Family
ICD	Inter Corporate Deposits
ICL	Inter Corporate Loans
ISIN	International Securities Identification Number
IT	Information Technology
JV	Joint Venture
Kms	Kilometers
Ltd/ Ltd/	Limited
NR	Non Resident
NRI(s)	Non Resident Indian(s)



Term	Description
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCB	Overseas Corporate Body
PAN	Permanent Account Number
PBT	Profit Before Tax
PLR	Prime Lending Rate
PVT/ Pvt	Private
RBI	Reserve Bank of India
Regulation S	Regulation S of the Securities Act
Re./₹/Rupees/INR/ ₹	Indian Rupees
SCORES	SEBI Complaints Redress System
SEBI	Securities and Exchange Board of India
Stock Exchanges	BSE and NSE
STT	Securities Transaction Tax
TP Act	The Transfer of Property Act, 1882



NOTICE TO OVERSEAS SHAREHOLDERS

The rights and the securities of our Company have not been and will not be registered under the Securities Act, or any U.S. state securities laws and may not be offered, sold, resold or otherwise transferred within the United States of America or the territories or possessions thereof (the "United States" or "U.S."), except in a transaction exempt from the registration requirements of the Securities Act. The rights referred to in the Letter of Offer are being offered in India, but not in the United States. The offering to which the Letter of Offer relates is not, and under no circumstances is to be construed as, an offering of any Equity Shares or rights for sale in the United States or as a solicitation therein of an offer to buy any of the said Equity Shares or rights. Accordingly, the Letter of Offer or Abridged Letter of Offer and the enclosed CAF should not be forwarded to or transmitted in or into the United States at any time.

Neither our Company nor any person acting on behalf of our Company will accept subscriptions or renunciation from any person, or the agent of any person, who appears to be, or who our Company or any person acting on behalf of our Company has reason to believe is in the United States when the buy order is made. Envelopes containing a CAF should not be postmarked in the United States or otherwise dispatched from the United States or any other jurisdiction where it would be illegal to make an offer, and all persons subscribing for the Equity Shares and wishing to hold such Equity Shares in registered form must provide an address for registration of the Equity Shares in India. Our Company is making the issue of Equity Shares on a rights basis to Equity Shareholders of our Company on the Record Date and the Letter of Offer and CAF will be dispatched only to Equity Shareholders who have an Indian address. Any person who acquires rights and the Equity Shares will be deemed to have declared, represented, warranted and agreed, (i) that it is not and that at the time of subscribing for the Equity Shares or the Rights Entitlements, it will not be, in the United States when the buy order is made, (ii) it does not have a registered address (and is not otherwise located) in the United States, and (iii) it is authorised to acquire the rights and the Equity Shares in compliance with all applicable laws and regulations.

Our Company reserves the right to treat as invalid any CAF which: (i) does not include the certification set out in the CAF to the effect that the subscriber does not have a registered address (and is not otherwise located) in the United States and is authorized to acquire the rights and the Equity Shares in compliance with all applicable laws and regulations; (ii) appears to our Company or its agents to have been executed in or dispatched from the United States; (iii) where a registered Indian address is not provided; or (iv) where our Company believes that CAF is incomplete or acceptance of such CAF may infringe applicable legal or regulatory requirements; and our Company shall not be bound to allot or issue any Equity Shares or Rights Entitlement in respect of any such CAF.



PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA

In this Letter of Offer, unless otherwise indicated or the context otherwise requires, all references to “LGB Forge Limited”, “LGB Forge”, the/our “Company”, “we”, “our”, “us” or similar terms are to LGB Forge Limited or, as the context requires, and references to “you” are to the prospective investors in the Equity Shares.

Unless stated otherwise, the financial data in this Letter of Offer is derived from the audited financial information of our Company which has been prepared in accordance with Indian GAAP and are included in the Letter of Offer. The financial year of our Company commences on April 1 and ends on March 31.

In this Letter of Offer, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off, and unless otherwise specified, all financial numbers in parenthesis represent negative figures.

All references in the Letter of Offer to “Rupees”, “Rs.”, “₹”, “Indian Rupees” and “INR” are to Indian Rupees, the official currency of the Republic of India. All references to “U.S.\$”, “U.S. Dollar”, “USD” or “\$” are to United States Dollars, the official currency of the United States of America.

Please Note:

- One million is equal to 1,000,000/10 lacs;
- One billion is equal to 1,000 million/100 crores;
- One lac is equal to 100 thousand;
- One crore is equal to 10 million/100 lacs

Unless stated otherwise, industry data used throughout this Letter of Offer has been obtained from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry data used in this Letter of Offer is reliable, it has not been independently verified.

Fluctuations in the exchange rate between the Rupee and the U.S. Dollar will affect the U.S. Dollar equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into U.S. Dollars of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the Rupee and the U.S. Dollar (in Rupees per U.S. Dollar) based on the reference rates released by the RBI. No representation is made that the Rupee amounts actually represent such amounts in U.S. Dollars or could have been or could be converted into U.S. Dollars at the rates indicated, at any other rates or at all.

Year ended March 31	Period End	Average*	High*	Low*
2009	50.95	45.91	52.06	39.89
2010	45.14	47.42	50.53	44.94
2011	44.65	45.27	45.95	44.65
Month ended	Period End	Average*	High*	Low*
November 2011	52.17	50.84	52.70	49.08
October 2011	48.87	45.26	50.07	48.82
September 2011	48.93	47.64	49.67	45.90
August 2011	46.02	45.28	46.13	44.05
July, 2011	44.16	44.42	44.69	43.95
June 2011	44.72	44.85	45.10	44.61

1. Source: RBI website at www.rbi.org.in

2. *Note: High, low and average are based on the RBI reference rate
The RBI reference rate on November 30, 2011 was U.S. \$1.00 = ₹ 52.17

FORWARD LOOKING STATEMENTS

We have included statements in this Letter of Offer which contain words or phrases such as “will”, “may”, “aim”, “is likely to result”, “believe”, “expect”, “continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “pursue” and similar expressions or variations of such expressions, that are “forward looking statements”.

All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to:

- General economic conditions
- Changes in political and social conditions in India
- The outcome of legal or regulatory proceedings that we are or might become involved in
- Contingent liabilities, environmental problems and uninsured losses
- Increasing competition in the industry;
- Developments affecting the Indian economy
- Changes in laws and regulations that apply to the industry
- Uncertainty in global financial markets

For a further discussion of factors that could cause the actual results to differ, see “Risk Factors” on page ix of this Letter of Offer. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company nor the Lead Manager nor any of their respective affiliates or advisors have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI and Stock Exchanges’ requirements, our Company and Lead Manager shall ensure that investors in India are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchanges.

SECTION II - RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all of the information in this Letter of Offer, including the risks and uncertainties described below, before making an investment in the Equity Shares. The financial and other implications of material impact of risks concerned, wherever quantifiable, have been disclosed in the risk factors mentioned below. However there are a few risk factors where the impact is not quantifiable and hence the same has not been disclosed in such risk factors. The ordering of the risk factors has been done based on materiality and does not in any manner indicate the importance of one risk factor over the other. To obtain a complete understanding, you should read this section in conjunction with the chapters titled “Business Overview”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the section titled “Financial Information” on page 46, 109 and 89 respectively as well as the other financial and statistical information contained in this Letter of Offer.

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this offer unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The Equity Shares have not been recommended or approved by SEBI nor does SEBI guarantee the accuracy or adequacy of this Letter of Offer.

The occurrence of any of the following events could have a material adverse effect on our business, results of operations, financial condition and prospects and cause the market price of the Equity Shares to fall significantly, and you may lose all or part of your investment. Additionally, our business operations could also be affected by additional factors that are not presently known to us or that we currently consider as immaterial to our operations. The following factors have been considered for determining the materiality:

- 1. Some events may not be material individually but may be found material collectively;*
- 2. Some events may have material impact qualitatively instead of quantitatively;*
- 3. Some events may not be material at present but may have material impact in future.*

RISKS ASSOCIATED WITH OUR BUSINESS

- 1. Some of our group companies are currently involved in certain legal proceedings and any adverse decision in such proceedings may have a material adverse effect on their business, result of operations and financial condition.***

There are no outstanding litigations involving our Company or our Promoter. However, some of our group companies are currently involved in certain legal proceedings and claims in India which are pending at different levels of adjudication before various authorities. The table below sets forth summary of information with respect to legal proceedings that are against our group companies:

Name of the Group Company	Criminal proceedings	Civil proceedings	Tax proceedings	Labour cases	Consumer cases	Total approximate amount involved (₹ in Lacs)
L.G. Balakrishnan & Bros. Limited	3	5	13	6	2	1,467.75
Super Transports Private Limited	-	-	2	-	-	74.53
I.G. Sports Limited	-	-	1	-	-	4.76

Additionally, should any new development arise, such as a change in the Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements, which may



reduce our profitability. We can give no assurance that these legal proceedings will be decided in our favour or in favour of our Group Companies. Any adverse outcome in any or all of these proceedings may have a material adverse effect on our business, results of operations and financial condition.

For further information relating to these proceedings, please see the section titled “Outstanding Litigations and Defaults” on page 119.

2. Our contingent liabilities, not provided for, could adversely affect our financial condition.

We have not provided for certain contingent liabilities for the half year ended September 30, 2011 and FY March 31, 2011, which if materialise could adversely affect our financial position. The details of the same are as under:

Particulars	<i>₹ in Lacs</i>	
	Half Year ended September 30, 2011	As of March 31, 2011
Bank Guarantee	150.00	150.00
Total	150.00	150.00

If a significant portion of these liabilities materialise, it could have an adverse effect on our business, financial condition and results of operations. For further information on our contingent liabilities, see “Financial Information – Annexure XII” on page 106.

3. Our Company has experienced negative cash flows.

Our Company has experienced negative cash flows, the details of which are summarized below:

Particulars	Half year ended September 30, 2011	<i>(₹ in lacs)</i>				
		For the financial year ended				
		March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Net cash (used in) investing activities	(165.26)	709.60	(45.67)	(417.11)	14.76	(9.66)
Net Cash generated from/ (used in) financing activities	(311.21)	(1,527.58)	(906.45)	(1,451.26)	175.40	10.00
Net increase/ (decrease) in cash & cash equivalents	(5.61)	9.58	23.75	2.28	0.96	0.19

For further details please see the chapter titled “Financial Information” and the chapter titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 89 and 109 respectively.

4. We have incurred losses in past financial years which have resulted in accumulated losses aggregating to ₹3,340.66 as on March 31, 2011.

Pursuant to the scheme of arrangement, the entire business and assets of forging unit of L G Balakrishnan & Bros Limited was demerged and transferred to our Company. These included the borrowings (secured loans and unsecured loans) with respect to our “forgings” business which were amounting to ₹ 7,544.11 lacs. FY 2008-09 witnessed a recession due to various global economic factors which plunged the demand for goods across all sectors including that of ours i.e., forging. In addition, we could not arrange additional credit facilities from the Banks on account of our continuing losses. This resulted in under utilization of capacity. These factors adversely affected our income whereas our repayment of loan liabilities continued and thus we incurred losses in all the financial years since FY 2008. As on March 31, 2011 and for the half year ended September 30, 2011, our accumulated losses are ₹ 3,340.66 lacs and ₹ 3,586.13 lacs. Any further losses in our business would adversely affect the financial condition of our Company.

5. *We have in past entered into related party transactions and may continue to do in future.*

We have, in the course of our business, entered into transactions with related parties including entities forming part of our Promoter Group, group companies, key managerial personnel and their relatives. There can be no assurance that we could not have achieved more favorable terms had such transactions not been entered into with related parties.

Such related party transactions may give rise to potential conflicts of interest with respect to dealings between us and the related parties. Furthermore, it is likely that we will continue to enter into related party transactions in the future. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations.

For details of related party transactions entered into by us please see “Financial Information- Annexure VI” on page 102 of this Letter of Offer.

6. *Issue Proceeds would be utilised for repayment of loans and hence would not result in creation of tangible assets.*

We intend to use a significant portion of the Issue Proceeds towards repayment of a portion of the short term borrowings outstanding in the books of the Company. For further details on the use of the Issue Proceeds, please see the section "Objects of the Issue" on page 22. The Issue proceeds shall not result in the creation of any tangible assets.

7. *We are subject to the restrictive loan covenants of banks in respect of the term loans and working capital facilities availed from them.*

As on September 30, 2011, our Company has availed term loans of ₹ 4,000 lacs and working capital borrowings of ₹ 2,335 lacs from various banks. Our Bankers may impose certain restrictions on further borrowings or raising capital through equity which may adversely affect our business operations, and financial performance. Further, any increase in interest rates could affect our cost of borrowings and our results of operations and financial condition. This may adversely impact our results of operations and cash flows. For further details on the term loans and working capital borrowings, please see “Financial Information – Annexure VII” on page 104 of this Letter of Offer.

8. *The unsecured loans, taken by our Company can be recalled by the lenders at any time which may have an adverse effect on our business operations.*

As on September 30, 2011, our Company has unsecured loans amounting to ₹ 973.97 Lacs outstanding, which can be recalled at any given point of time by the lenders including our promoter and directors during the ordinary course of business. These may affect the business operations and financial performance of our Company.

9. *We may require certain approvals, licenses, registrations and permits for our business and the failure to renew or obtain them in a timely manner may adversely affect our operations.*

We require certain approvals, licenses, registrations and permits for our business. Additionally, we may need to apply for renewal of approvals which expire from time to time and as and when required in the ordinary course. The details of approvals, licenses, registrations and permits required by us are mentioned under the chapter titled “Government Approvals” on page 129. Our failure to receive such approvals within the time frames anticipated or at all could result in interruption of our operations and may have an adverse material effect on our business and financial position.

10. We are dependent on our senior management team and the loss of key members or failure to attract skilled personnel may adversely affect our business.

We believe we have a team of professionals to oversee the operations and growth of our business. Our success is substantially dependent on the expertise and services of our management team. We cannot assure you that we will be able to retain any or all of the key members of our management team. The loss of the services of such key members of our management team could have an adverse effect on our business and the results of our operations.

Further, our ability to maintain our position in the business depends on our ability to attract, train, motivate, and retain highly skilled personnel. In the event we fail to meet these requirements, it could have an adverse effect on our business and results of operations. For further details of our senior management team, please see the section titled “Management” on page 68.

11. Our Promoters will continue to exercise significant control over our business and shall be in a position to direct corporate actions which may be allegedly detrimental to the interest of other shareholders.

Our Promoters and Promoter Group holds 55.38% of our equity share capital. As a result, they are in a position to continue to exercise significant control over our business and all matters requiring shareholder approval, including timing and distribution of dividends, election of officers and directors, our business strategy and policies, approval of significant corporate transactions such as mergers and business combinations and sale of assets. They have also undertaken to apply for Equity Shares in addition to their Rights Entitlement to the extent of any undersubscribed portion of the Issue, subject to obtaining any approvals required under applicable law, to ensure that at least 90% of the Issue is subscribed. Such subscription for Equity Shares over and above their Rights Entitlement, if allotted, may result in an increase in their percentage shareholding. Their control could approve or impede a merger, consolidation, takeover or other business combination involving us, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control even if such transaction is allegedly beneficial to other shareholders.

12. Any inability to manage our growth could disrupt our business and reduce our profitability.

Our revenues from operations have grown to ₹ 12,755.26 lacs for the Fiscal Year 2011 at a three year CAGR of 10.60 %.

Any future organic growth and other acquisitions may place significant demands on our operational, financial and internal controls across the organization. It may also impose significant added responsibilities on members of management, including the need to identify, recruit, maintain and integrate additional employees; adhering to our high quality and process execution standards; maintaining high levels of client satisfaction; integrating expanded operations while preserving our culture, values and entrepreneurial environment; and developing and improving our internal administrative infrastructure, particularly our financial, operational, communications, and other internal systems. We may, thus, face difficulties in executing our strategy including the proposed expansion plans and any future growth strategy. If we are unable to manage our growth, it could have an adverse effect on our business, results of operations and financial condition. Our future financial performance and our ability to commercialize our products and to compete effectively will depend, in part, on our ability to manage any growth effectively, and our failure to do so could adversely affect our business, financial condition, results of operations and growth prospects. For further details on our financial performance please refer to the chapter titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on page 109.

13. Our insurance coverage may not adequately protect us against certain operating hazards and this may have a material adverse effect on our business.

Operating and managing a business involves many risks that may adversely affect our Company's operations, and the availability of insurance is therefore important to our operations. Our Company believes that our insurance coverage is generally consistent with industry practice. However, to the extent that any uninsured risks materialize or if it fails to effectively cover it for any risks, we could be exposed to substantial costs and losses that would adversely affect financial condition. In addition, our Company cannot be certain that the coverage will be available in sufficient amounts to cover one or more large claims, or that our insurers will not disclaim coverage as to any claims. A successful assertion of one or more large claims against our Company that exceeds our available insurance coverage or that leads to adverse changes in our insurance policies, including premium increases or the imposition of a large deductible or coinsurance requirement, could adversely affect our financial condition and results of operations. Our Company has however, not availed key man insurance policies. Further, our Company has not availed of business interruption / loss of profits insurance cover.

14. We cannot assure you that we will be able to secure adequate financing in the future on acceptable terms, in time, or at all. Further, we cannot assure you that for the financing secured by us we will be able to continue servicing the principal amount, interest or both.

We may require additional funds in connection with future business expansion and development initiatives. In addition to the Issue proceeds and our internally generated cash flow, we may need additional sources of funding to meet these requirements, which may include entering into new debt facilities with lending institutions or raising additional debt in the capital markets. If we decide to raise additional funds through the incurrence of debt, our interest obligations will increase, and we may be subject to additional covenants. Such financings could cause our debt to equity ratio to increase or require us to create charges or liens on our assets in favour of lenders. We cannot assure you that we will be able to secure adequate financing in the future on acceptable terms, in time, or at all. Our failure to obtain sufficient financing could result in the delay or abandonment of any of our business development plans and this may affect our business and future results of operations.

15. Accidents at our facilities may lead to public liability consequences.

Though we take all possible steps to ensure adoption and compliance with high standards of safety and fire control at our facilities, we cannot assure you that these mechanisms will be adequate to contain safety risks that may arise in the future. Though we maintain public liability insurance cover for our facilities, in the event of an accident, we may be exposed to civil, tort and criminal liabilities.

16. We have not entered into any definitive arrangements to monitor the utilization of the Issue Proceeds.

As per the SEBI ICDR Regulation, appointment of monitoring agency is required only for Issue size above ₹ 50,000 lacs. Hence we have not appointed any monitoring agency and the deployment of Issue Proceeds as stated in the "Objects of the Issue" on page 22 of the Letter of Offer is not subject to monitoring by any independent agency.

Further, pending utilization of the Issue Proceeds, the management of our Company, in accordance with the policies formulated by it from time to time, will have flexibility in deploying the same. Our Company intends to temporarily invest the funds in interest bearing liquid instruments including investments in mutual funds and other financial products, such as principal protected funds, derivative linked debt instruments, other fixed and variable return instruments, listed debt instruments, rated debentures or deposits with banks as may be approved by the Board. For further details please see "Objects of the Issue" on page 22.



RISKS ASSOCIATED WITH INDIA AND INVESTMENTS IN INDIAN COMPANIES

17. Our business is substantially affected by prevailing economic conditions in India.

We are incorporated in India, and all of our assets and employees are located in India. As a result, we are highly dependent on prevailing economic conditions in India and our results of operations are significantly affected by factors influencing the Indian economy. Factors that may adversely affect the Indian economy, and hence our results of operations, may include:

- any increase in Indian interest rates or inflation;
- any scarcity of credit or other financing in India, resulting in an adverse impact on economic conditions in India;
- prevailing income conditions among Indian consumers and Indian corporations;
- volatility in, and actual or perceived trends in trading activity on, India's principal Stock Exchanges;
- changes in India's tax, trade, fiscal or monetary policies;
- political instability, terrorism or military conflict in India or in countries in the region or globally, including in India's various neighboring countries;
- prevailing regional or global economic conditions, including in India's principal export markets; and
- other significant regulatory or economic developments in or affecting India or its forging industry.

Any slowdown or perceived slowdown in the Indian economy, or in specific sectors of the Indian economy, could adversely impact our business and financial performance and the price of the Equity Shares.

18. Any downgrading of India's sovereign debt rating or a decline in India's foreign exchange reserves may adversely affect our ability to raise additional debt financing.

Any adverse revisions by international rating agencies to the credit ratings of the Indian national government's sovereign domestic and international debt may adversely affect our ability to raise additional financing by resulting in a change in the interest rates and other commercial terms at which we may obtain additional financing. This could have a material adverse effect on our capital expenditure plans, business and financial performance. A downgrading of the Indian national government's debt rating may occur, for example, upon a change of government tax or fiscal policy outside our control.

19. The proposed adoption of IFRS could result in our financial condition and results of operations appearing materially different than under Indian GAAP.

We may be required to prepare annual and interim financial statements under IFRS in accordance with the roadmap for the adoption of, and convergence with, IFRS announced by the Ministry of Corporate Affairs, GoI in January 2010. The convergence of certain Indian Accounting Standards with IFRS was notified by the Ministry of Corporate Affairs on February 25, 2011. The date of implementing such converged Indian accounting standards has not yet been determined, and will be notified by the Ministry of Corporate Affairs in due course after various tax-related and other issues are resolved. Our financial condition, results of operations, cash flows or changes in shareholders' equity may appear materially different under IFRS than under Indian GAAP. This may have a material effect on the amount of income recognised during that period and in the corresponding period in the comparative period. In addition, in our transition to IFRS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems.

20. A significant change in the Government of India's economic liberalization and deregulation policies could disrupt our business and cause the price of the Equity Shares to decline.

Our assets and customers are located in India. The government of India has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies have had and could continue to have a significant effect on private sector entities, including us, and on market

conditions and prices of Indian securities, including the Equity Shares. The present Indian government is headed by the Indian National Congress and is a coalition of several political parties. Any significant change in the government's policies or any political instability in India could adversely affect business and economic conditions in India and could also adversely affect our business, our financial performance and the price of the Equity Shares.

21. Investing in securities that carry emerging market risks can be affected generally by volatility in the emerging markets.

The markets for securities bearing emerging market risks, such as risks relating to India, are, to varying degrees, influenced by economic and securities market conditions in other emerging market countries. Although economic conditions differ in each country, investors' reactions to developments in one country may affect securities of issuers in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy, including the movement of exchange rates and interest rates in India, which could adversely affect the Indian financial sector in particular. Any such disruption could have an adverse effect on our Company's business, future financial performance, financial condition and results of operations, and affect the price of the Equity Shares. Accordingly, the price and liquidity of the Equity Shares may be subject to significant fluctuations, which may not necessarily be directly or indirectly related to our financial performance.

RISKS ASSOCIATED WITH THE EQUITY SHARES AND THIS ISSUE

22. Future issues or sales of Equity Shares by our Company may significantly affect the trading price of the Equity Shares.

The future issue of Equity Shares or the disposal of Equity Shares by any of our major Equity Shareholders or the perception that such issues or sales may occur may significantly affect the trading price of the Equity Shares. There is no restriction on our ability to issue Equity Shares or the relevant Equity Shareholders' ability to dispose of their Equity Shares, and there can be no assurance that we will not issue Equity Shares or that any such Equity Shareholder will not dispose of, encumber, or pledge, its Equity Shares.

23. After this Issue, the price of the Equity Shares may be highly volatile.

The prices of the Equity Shares on the Indian Stock Exchanges may fluctuate after this Issue as a result of several factors, including:

1. volatility in the Indian and global securities market or in the Rupee's value relative to the U.S. dollar, the Euro and other foreign currencies;
2. our profitability and performance;
3. perceptions about our future performance or the performance of Indian auto component manufacturers in forging in general;
4. performance of our competitors in the Indian forging industry and the perception in the market about investments in the forging industry;
5. adverse media reports on us or the Indian forging industry;
6. changes in the estimates of our performance or recommendations by financial analysts;
7. significant developments in India's economic liberalisation and deregulation policies; and
8. significant developments in India's fiscal, environmental and other regulations.

There can be no assurance that an active trading market for the Equity Shares will be sustained after this Issue, or that the prices at which our Equity Shares have historically traded will correspond to the price at which the Equity Shares are offered in this Issue or the prices at which the Equity Shares will trade in the market subsequent to this Issue. The Indian stock markets have witnessed significant volatility in the past and the Equity Share price may be volatile and may decline post listing.



23. There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect your ability to sell, or the price at which you can sell, Equity Shares at a particular point in time.

We are subject to a daily “circuit breaker” imposed by all Stock Exchanges in India, which does not allow transactions beyond specified increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian Stock Exchanges. The percentage limit on our circuit breakers is set by the Stock Exchanges based on the historical volatility in the price and trading volume of our Equity Shares.

The Stock Exchanges do not inform us of the percentage limit of the circuit breaker in effect from time to time, and may change it without our knowledge. This circuit breaker limits the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, no assurance may be given regarding your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time.

PROMINENT NOTES

1. Our Company was incorporated as a public limited company on June 7, 2006. In March 2008, as per the scheme of arrangement, the entire business and assets of forging unit of L.G.Balakrishnan & Bros Ltd was de-merged and transferred to our Company with effect from April 1, 2008. The equity shares of the Company were listed on BSE and NSE on August 1, 2008. For further details, please see “Business Overview” on page 46 of this Letter of Offer.
2. This is an Issue of 50,000,517 Equity Shares at a premium of ₹ 1.75 per Equity Share for an amount aggregating to ₹ 1,375.01 lacs on a rights basis to the existing Equity Shareholders of our Company in the ratio of One Equity Share for every Two fully paid-up Equity Share(s) held (i.e., 1:2) by the existing Equity Shareholders on the Record Date.
3. The net worth of our Company ((Equity Share capital + securities premium + reserves and surplus (excluding revaluation reserve) – miscellaneous expenditure (to the extent not adjusted or written off) - deficit in profit and loss account)) as on March 31, 2011 and for the six months period September 30, 2011 was ₹ 558.20 lacs and ₹312.73 lacs respectively. The net asset value per share (net worth / number of Equity Shares outstanding) of our Company as on March 31, 2011 and for the six months period September 30, 2011 was ₹ 0.56 and ₹0.31 respectively.
4. We have, in the course of our business, entered into transactions with related parties including our associate companies, key managerial personnel and their relatives. For details of related party transactions entered into by us please see “Financial Information- Annexure VI” on page 102 of this Letter of Offer.
5. There has been no financing arrangement whereby the Promoter Group, the Directors of our Company who are our Promoters and our Directors and their relatives have financed the purchase by any other person of securities of our Company other than in the normal course of business of the financing entity during the period of six months immediately preceding the date of filing of the Letter of Offer with SEBI.
6. All information shall be made available by the Lead Manager and our Company to the public and investors at large and no selective or additional information would be available only to a section of investors in any manner whatsoever.
7. The Lead Manager and our Company shall update this Letter of Offer and keep our shareholders / public informed of any material changes till listing and trading permission in respect of the Equity Shares is received.

Investors may contact the Lead Manager for any complaint, clarifications and information pertaining to the Issue. Any clarification or information relating to this Issue shall be made available by the Lead Manager to the public and investors at large and no selective or additional information would be made available only to a section of the investors in any manner. All grievances relating to ASBA process may be addressed to the Registrar to the Issue, with a copy to the relevant SCSBs, giving full details such as name, address of the applicants, application number, number of Equity Shares applied for, application amounts blocked, ASBA Account number and the Designated Branch of the SCSBs where the Application Form has been submitted by the ASBA Investor. For contact details please see “General Information” on page 10.

SECTION III – INTRODUCTION

SUMMARY OF INDUSTRY

The information presented in this section has been obtained from publicly available documents from various sources, including officially prepared materials from the Government of India and its various ministries, industry websites and publicly available industry reports. Industry websites and publications generally state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry, market and government data used in this Letter of Offer is reliable, it has not been independently verified.

Accordingly, our Company and the Lead Manager do not take any responsibility for the data, projections, forecasts, conclusions or any other information contained in this section. Certain information contained herein pertaining to prior years is presented in the form of estimates as they appear in the respective reports/ source documents. The actual data for those years may vary significantly and materially from the estimates so contained.

Overview

The automobile industry largely comprises two wheeler, three wheeler and four wheeler vehicles. Four wheelers may be further segmented into passenger cars, utility vehicles (UV), commercial vehicles (CV) and tractors. The manufacturers of these vehicles are often referred to Original Equipment (Vehicle) Manufacturers (OEM). The OEMs are responsible for providing the final shape to vehicles and making it viable for use. Initially, the OEMs manufactured vehicles from scratch i.e. including the components that are assembled to form a vehicle. Over the years, the same model proved uneconomical for OEMs and hence the manufacturing of auto components was outsourced by them to companies that focused purely on manufacturing of automotive components. Since then, the performance of auto components industry has been directly related to the OEMs preferences and sourcing patterns. Today, the auto components industry is segmented into Drive Transmission and steering parts, Engine parts, Suspension and braking parts, Equipment, Electrical Parts, Chassis and other interior / exterior components.

The Global Automobile Industry

The automotive industry worldwide is highly capital intensive in nature. Although the major volume producers are based out of relatively smaller number of countries, their manufacturing facilities are spread out in many other countries around the world. The countries in the west have traditionally housed the major manufacturers but recently the Asia Pacific region has generated major growth in the world automobile industry, as depicted by the table below. Existing global auto majors are re-aligning their production bases and coming closer to the Asia Pacific region. Also, constant pressure for cost reduction on OEMs is compelling them to outsource more and more components from low cost countries.

(Source: Production Statistics of Organisation Internationale des Constructeurs d'Automobiles (OICA))

The Indian Automobile Industry

The Indian automobile market can be divided into 2 broad segments – passenger vehicles and commercial vehicles. The Indian passenger vehicles sector is the 7th largest in the world with a compounded annual growth rate of 14.09% over the last 5 years from FY 2006-07 to FY 2010-11. The commercial vehicle sector is also the 7th largest market in the world with a compounded annual growth rate of 7.68% over the last 5 years from FY 2006-07 to FY 2010-11. The projected growth rate for FY 2011-12 in both these categories is around 16-18%. *(Source: www.wikipedia.org)*

Industry framework of the Indian Auto Component industry

While OEM offtake continues to make up the largest share of auto components demand, exports are increasingly gaining importance. Going ahead, cars and utility vehicles (UVs) are expected to drive



demand for the OEM segment. The proportion of cars and UVs and two-wheelers procuring auto components from component manufacturers is relatively high vis-à-vis other segments. While this phenomenon could be partly attributed to design orientation, it is observed that there is a rising trend towards outsourcing the manufacturing of components rather than producing them in-house.

Size of the industry

The Indian auto component industry recorded its highest year-on-year (y-o-y) growth of 34.2 per cent in 2010-11, raking in revenue of US\$ 39.9 billion; major contribution coming from exports at US\$ 5 billion and fresh investment from the US at around US\$ 2 billion.

The turnover of the auto component industry stood at ₹ 182,127 crores (USD 39.9 billion) for the period April 2010 to March 2011, registering a growth of 34 per cent (in rupee terms) over the previous year. This data represents the entire supplies from the auto component industry to the on-road and off-road vehicle manufacturers and the aftermarket in India and overseas from ACMA member and non-member companies, including component suppliers' captive to the OEMs and the unorganized & smaller players. (Source: www.acmainfo.com/docmgr/Press_Releases/2011-12_Press_Release.doc)

Outlook for the Industry

Rising interest rates & fuel prices and slowing industrial activity are likely to have a moderating impact on automobile demand (primarily PV and M&HCV segments) in the near term. The longer term demand drivers for the domestic market however remain intact and the auto components industry remains on track with its capacity expansion plans to meet the expected demand growth.

As the Indian component industry moves towards a more globalized environment, on the back of increased participation in the growth opportunities emanating from product plans of global OEMs, the industry faces heightened challenges in terms of dealing with lowering duty protections, foreign exchange fluctuations and vulnerability to demand slowdowns in international markets. Nevertheless, the overall benefits of bigger scale, deeper relationships with global OEMs, absorption of next generation technologies and exposure to international best practices are expected to be the key positive outcomes from the above supporting the growth process of the Indian auto components industry. (Source: *Industry reports*)

For further details on the industry in which we operate the business, please see "Industry Overview" on page 38 of this Letter of Offer.

SUMMARY OF BUSINESS

Overview

We are engaged in the manufacture and sale of forged and machined components in India, Europe and the United States. We manufacture auto, electrical, and transmission forged components for the original equipment manufacturers for automobiles. We also supply products to non-automotive segments like valve Industry and infrastructure equipment industry. We have three state-of-art manufacturing units one in Mysore and other two in Coimbatore.

Our Company has various divisions for forged products, viz., cold, hot and warm, and hot. We supply our products to all the reputed companies in India as well as select customers in abroad.

Our Company was incorporated as a public limited company on June 7, 2006. In March 2008, as per the scheme of arrangement, the entire business and assets of forging unit of L.G.Balakrishnan & Bros Ltd was de-merged and transferred to our Company with effect from April 1, 2008.

From August 1, 2008, the Equity Shares of our company were listed on BSE and NSE.

For Fiscal Year 2010 and Fiscal Year 2011 our total income was ₹ 10,225.94 lacs and ₹ 12,755.26 lacs respectively. For the same periods our net loss after tax was ₹ 1,359.36 lacs and ₹ 862.31 lacs respectively.

Rationale for scheme of arrangement

Prior to the scheme of arrangement, L.G. Balakrishnan & Bros Limited was engaged in business areas of automotive & industrial transmission, forging and fine blanking, which in FY 2007-08 accounted for 55%, 15% and 18% of total revenue respectively. It was considered necessary to provide focused attention to each of the businesses which are distinct from each other. The said scheme was aimed at having administrative convenience of both the entities carrying out separate businesses.

Products

Our Company manufactures various products under various categories namely –

a. Cold forging	Ball Pins, Ball Rods, Boss Rotor, Fuel Pump Components, Shaft, Pulley, Pleunger and two wheeler gear, Pinions, Sleeve and Sockets
b. Hot and warm forging	Bell, Body Starter Clutch, Tulip, Claw,
c. Hot forging	Sring Seedle Bottom, VWH Connecting Rod, Valve Bonnets, Brake Flange Forging, Rocker Arms, 11*24 Sonalika Pinion, 11*26 Differential Bevel Pinion, 11*16 Differential Bevel Pinion and Bucket Teeths

The above products manufactured by us usually belong to the Auto-Electricals category and Drive train category in Automotive Industry.

Facilities

Plant Location	Activities	Installed Capacity
Pillaippanpalayam Pillaippanpalayam Village Kumarapalayam Post, Coimbatore – 641 653	Hot & Warm Forging	3,000,000 Strokes
Kondayampalayam Pillayar Koil Street, Kottaipalayam Post Coimbatore – 641 110	Cold Forging	20,000,000 Strokes
Mysore	Hot & Warm	6,000,000 Strokes



Plant Location	Activities	Installed Capacity
Plot No.80 & 81, KRS Road, Metagalli Post Mysore – 570 016	Forging	

Competitive Strengths

Strong research and development team

Our Company has a strong research and development backbone, which is constantly innovating the manufacturing process, improving yield and ingredients to reduce the costs and be competitive.

Experienced Management and Employees

Our Company is managed and run by a team of experienced professionals which in turn increases the profitability.

Established Reputation for Quality Projects

Our Company has obtained various certifications for ensuring quality standards at its facilities. The quality certifications include ISO 9001:2008, ISO/TS 16949:2009 and ISO 9001:2008.

Standardized and documented internal processes

Our Company is in continuous process industry and the production is carried out in batches for which batch manufacturing records are maintained. There are standard operating procedures for manufacturing, quality control and quality assurance for the products manufactured. Our company also has preventive maintenance plans for smooth manufacturing operations.

Under the guidance of the highly skilled management, the company documented its internal processes and methodologies which ensures that each department and each employee of the company are aware of their respective roles and obligations, and each activity of production and development is as per the standards of quality that has been set. This also ensures uniformity in all the processes.

Our Strategy

Further research in process and product engineering to ensure the best manufacturing process for the auto electrical components in order to enhance competitiveness in the markets is one of our goals. Research and development in Tool and Die will better enable a competitive position in the market. Further enhancement of operations by improving the existing assets to yield better output and installation of new assets to enhance and attract new markets are also in the horizon.

For further details on our Business, please see “Business Overview” on page 46 of this Letter of Offer.

SUMMARY FINANCIAL INFORMATION

The following tables set forth summary financial information derived from our audited financial information for and as of the financial year ended March 31, 2011, March 31, 2010, March 31, 2009, March 31, 2008 and March 31, 2007 and for the half year ended September 30, 2011. These financial statements need no restatement as our Company has not changed its accounting policies for the periods mentioned above. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Regulations and are presented in “Financial Information” on page 89 of this Letter of Offer.

Statement of assets and liabilities

₹ in Lacs

Particulars	Half year ended September 30, 2011	MARCH 31				
		2011	2010	2009	2008	2007
A Fixes Assets						
Gross Block	10,449.98	10,301.19	10,632.56	10,235.06	-	9.66
Less- Depreciation	5,747.21	5,240.98	4,352.52	3,421.81	-	-
Net Block	4,702.77	5,060.21	6,280.04	6,813.25	-	9.66
Capital Work in Progress	21.03	-	10.51	466.12	-	-
Total	4,723.80	5,060.21	6,290.55	7,279.37	-	9.66
B Current Assets, Loans and Advances						
Inventories	1,704.01	1,857.16	1,687.84	1,698.91	-	-
Sundry Debtors	3,211.45	2,716.68	2,965.67	2,784.98	-	-
Cash and Bank Balances	38.79	44.40	34.82	11.07	1.15	0.19
Loans and Advances	147.48	409.82	509.17	768.00	181.11	-
Other Current Assets	207.29	-	-	-	-	-
Total	5,309.02	5,028.06	5,197.50	5,262.96	182.26	0.19
C Liabilities and Provisions						
Secured Loans	6,335.00	5,581.43	5,961.95	7,018.49	-	-
Unsecured Loans	973.97	1,524.71	1,640.18	525.62	-	-
Current Liabilities and Provisions	2,411.12	2,423.93	2,465.41	2,178.40	1.72	0.55
Total	9,720.09	9,530.07	10,067.54	9,722.51	1.72	0.55
D NETWORTH (A + B - C)	312.73	558.20	1,420.51	2,819.82	180.54	9.31
E Represented by						
Share Capital	1,000.01	1,000.01	1,000.01	1,000.01	215.20	10.00
Capital Reserve on Demerger	2,898.85	2,898.85	2,898.85	2,898.85	-	-
Revaluation Reserve on Demerger	-	-	-	40.55	-	-
TOTAL	3,898.86	3,898.86	3,898.86	3,939.41	215.20	10.00
F Misc. expenditure to the extent not written of or adjusted	3,586.13	3,340.66	2,478.35	1,118.99	-	0.08
G Preliminary Expenses	-	-	-	0.60	0.75	0.61
H Pre-operative expenses	-	-	-	-	33.91	-
I NETWORTH (E – F – G –H)	312.73	558.20	1,420.51	2,819.82	180.54	9.31



LGB FORGE LIMITED

Statement of profit and loss

₹ in Lacs

Particulars	Half year ended September 30, 2011	March 31				
		2011	2010	2009	2008	2007
Income						
Sales-						
of products manufactured	6,647.11	12,755.26	10,225.94	9,429.25	-	-
of products traded	-	-	-	-	-	-
Sub-Total	6,647.11	12,755.26	10,225.94	9,429.25	-	-
Other Operational Income	-	-	-	-	-	-
Other Income	75.40	578.86	147.79	170.29	5.10	-
Increase/(decrease) in inventories	14.14	(180.27)	21.54	13.23	-	-
Total	6,736.65	13,153.85	10,395.27	9,612.77	5.10	-
Expenditure						
Raw Material Consumed	3,357.81	6,610.97	5,420.63	5,079.39	-	-
Staff Cost	575.44	1,004.91	743.32	679.84	-	-
Other Manufacturing expenses	1,562.67	3,386.52	2,618.87	2,328.82	-	-
Administrative expenses	198.18	361.32	554.41	240.42	37.33	0.08
Selling and distribution expenses	267.39	568.62	380.30	320.20	-	-
Earnings /(Loss) Before Depreciation, Interest & Tax	775.16	1,221.51	677.74	964.10	(32.23)	(0.08)
Depreciation	506.56	1,052.24	1,072.60	1,065.83	-	-
Interest	514.03	1,031.58	964.47	1,009.76	-	-
Net Loss Before Tax and Extraordinary Items	(245.43)	(862.31)	(1,359.33)	(1,111.49)	(32.23)	(0.08)
Taxation						
- Current Tax	-	-	0.03	7.50	1.60	-
- Deferred Tax	-	-	-	-	-	-
Net Loss before extraordinary items	(245.43)	(862.31)	(1,359.36)	(1,118.99)	(33.83)	(0.08)
Extraordinary items (net of tax)	-	-	-	-	0.08	-
Net Loss after Extraordinary Items	(245.43)	(862.31)	(1,359.36)	(1,118.99)	(33.91)	(0.08)

Statement of cash flow
₹ in Lacs

Particulars	Half year ended September 30, 2011	March 31				
		2011	2010	2009	2008	2007
Cash flow from operating activities						
Net profit/(Loss) after Tax and Extra ordinary items	(245.43)	(862.31)	(1359.33)	(1111.49)	(32.23)	(0.08)
Adjustments for						
Depreciation	506.56	1052.24	1072.60	1065.83	-	-
Preliminary expense written off	-	-	0.60	0.15	-	-
(Profit) or Loss on sale of assets	0.12	(531.49)	(67.93)	1.50	(0.19)	-
Bad debts written off & Provision for doubtful debts	-	-	237.42	-	-	-
Finance charges	514.03	1031.58	964.46	1009.76	29.80	-
Reinstatement of Debtors and Creditors	(54.72)	-	32.14	-	-	-
Interest income	(5.01)	-	(10.73)	(24.11)	(4.91)	-
Operating profit before working capital changes	715.55	690.02	869.23	941.64	(7.53)	(0.08)
Adjustments for						
(Increase) / Decrease in sundry debtors	(652.67)	248.99	(188.27)	(395.78)	(180.00)	-
(Increase) / Decrease in Inventories	153.14	(169.32)	11.07	195.04	-	-
(Increase) / Decrease in Short term loans and advances	48.92	99.35	-	-	-	-
(Increase) / Decrease in Long term loans and advances	4.68	-	-	-	-	-
(Increase) / Decrease in Current liabilities and short term provisions	136.49	-	-	-	(0.06)	(0.06)
(Increase) / Decrease in Trade payable	64.75	(41.48)	305.66	1145.26	(0.50)	-
Cash generated from operations	470.86	827.56	997.69	1886.16	(188.09)	(0.14)
Income tax paid	-	-	(21.82)	(15.51)	(1.11)	-
Net cash from operating activities (A)	470.86	827.56	975.87	1870.65	(189.20)	(0.14)
Cash flow from Investing activities						
Purchase of Fixed assets	(170.39)	(109.58)	(352.66)	(441.22)	9.85	(9.66)
Proceeds from sale of fixed assets	0.12	819.18	296.26	-	-	-
Interest received	5.01	-	10.73	24.11	4.91	-
Net cash outflow from Investing activities (B)	(165.26)	709.60	(45.67)	(417.11)	14.76	(9.66)
Cash flow from financing activities						
(Repayment) / Proceeds of secured loan						
- Long Term Borrowings	(113.09)	(386.99)	(712.15)	(336.17)	-	-
- Short Term Borrowings	315.91	6.47	-	-	-	-
Unsecured Loans	-	(115.48)	1114.56	365.00	-	-
Working capital borrowings	-	-	(344.40)	(470.33)	-	-



LGB FORGE LIMITED

Particulars	Half year ended September 30, 2011	March 31				
		2011	2010	2009	2008	2007
Interest paid	(514.03)	(1031.58)	(964.46)	(1009.76)	(29.80)	-
Increase in Share capital	-	-	-	-	-	10.00
Extra Ordinary items	-	-	-	-	205.20	-
Net cash used in financing activities (C)	(311.21)	(1527.58)	(906.45)	(1451.26)	175.40	10.00
Net increase in cash and cash equivalents (A) + (B) + (C)	(5.61)	9.58	23.75	2.28	0.96	0.19
Opening Balance	44.40	34.82	11.07	8.79	0.19	-
Closing Balance	38.79	44.40	34.82	11.07	1.15	0.19



THE ISSUE

The following is a summary of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information in “Terms of the Issue” on page 141 of this Letter of Offer.

Equity Shares outstanding prior to the Issue	100,001,034 Equity Shares
Equity Shares outstanding after the Issue (assuming full subscription for and allotment of the Rights Entitlement)	150,001,551 Equity Shares
Rights Entitlement	One Equity Shares for every Two fully paid-up Equity Shares held on the Record Date i.e., (1:2)
Record Date	[●]
Face Value per Equity Share	₹ 1 each
Issue Price per Equity Share	₹ 2.75 each
Terms of the Issue	For more information, please see “Terms of the Issue” on page 141 of this Letter of Offer.
Use of Issue Proceeds	For further information, please see “Objects of the Issue” on page 22 of this Letter of Offer.

Terms of Payment

The full amount of ₹ 2.75 per Equity Share is payable on application.

Book closure and other details

Book closure	[●]
Purpose	[●]
Ex-Right	[●]

Issue Schedule

Issue Opening Date:	[●]
Last date for receiving requests for split forms:	[●]
Issue Closing Date:	[●]



GENERAL INFORMATION

Registered Office of our Company

6/16/13, Krishnarayapuram Road,
Ganapathy Post,
Coimbatore – 641 006,
Tamil Nadu, India

Tel: +91 422 2532325;

Fax: +91 422 2532333

Website: www.lgbforge.co.in

E-mail: lgbgpy@vsnl.net;

Corporate Identification No.: L27310TZ2006PLC012830

Address of the Registrar of Companies

The Registrar of Companies, Coimbatore,
Stock Exchange Building, II Floor,
683, Trichy Road,
Coimbatore – 641 005

Board of Directors

Our Board comprises of seven Directors.

Name, Designation and Occupation	Age (Years)	DIN	Address
Mr. B. Vijayakumar	58	00015583	28, Kamaraj Road, Coimbatore 641 018
Designation Chairman			
Occupation Industrialist			
Mr. Vijayakumar Rajvirdhan	28	00156787	28, Kamaraj Road, Coimbatore 641 018
Designation Executive Director			
Occupation Industrialist			
Mr. K.N.V. Ramani	80	00007931	154, Kalidas Road, Ramnagar, Coimbatore 641 009
Designation Non-Executive Independent Director			
Occupation Business			
Mr. P. Shanmugasundaram	63	00119411	4/178, Green Lands Near Tansi Covai Road, Karur 639 002
Designation Non-Executive Independent Director			



Name, Designation and Occupation	Age (Years)	DIN	Address
Occupation Business			
Mr. P.V. Ramakrishnan	52	00013441	14/16C1, Sharp Nagar SITRA, Kalapatty Road, Kalapatti Post, Coimbatore – 641 035
Designation Non-Executive Independent Director			
Occupation Business			
Mr. Rajiv Parthasarathy	34	02495329	32, Karpagambal Nagar, Mylapore, Chennai 600 004
Designation Non-Executive Non-Independent Director			
Occupation Industrialist			
Mr. Harsha Lakshmikanth	34	02238793	GA Rain Tree Apartments, 16 Rhenius Street, Langford Town, Bangalore 560025
Designation Non-Executive Independent Director			
Occupation Business			

Brief Profile of the Board of Directors

Please see “Management” on page 68 of this Letter of Offer.

Company Secretary and Compliance Officer

Mr. A. James Chandra Mohan
6/16/13, Krishnarayapuram Road,
Ganapathy Post,
Coimbatore – 641 006,
Tamil Nadu, India
Tel: +91 422 2532325;
Fax: +91 422 2532333
Website: www.lgbforge.co.in
E-mail: lbgpy@vsnl.net

Statutory Auditors of our Company

Haribhakti & Co.,
Chartered Accountants
“Shree Shanmugappriya”, 2nd Floor,
454, Ponnaiyan Street,
Crosscut Road, Gandhipuram,
Coimbatore- 641 012
Tel: +91-422-2237793/2238793



Fax: +91-422-2233793
E-mail: sathyanarayanan.cs@bdoindia.co.in
Contact Person: CS Sathyanarayanan
ICAI Registration Number: 103523W
Membership No.: 028328

Bankers to our Company

ICICI Bank Limited Cheran Plaza 1619, Trichy Road, Coimbatore- 641 018 Tel: +91-422-4292223 Fax: +91-422-4292158 Email: kuchuri.himabindu@icicibank.com Contact Person: Mr. Narayanan V Unni	Corporation Bank Industrial Financial Branch 1604, Trichy Road, India Airlines Building Coimbatore- 641 018 Tel: +91-422-2302488 Fax: +91-422- 2306035 Email: cb562@corpbank.co.in Contact Person: Mr. P R Murali Krishna	Axis Bank Limited Vigneswar Cresta No 1095, Avinashi Road Coimbatore- 641 037 Tel: +91-422-4343043 Fax: +91-422- 4204256 Email: coimbatore.branchhead@axisbank.com Contact Person: Mr. B S Balasubramanian
Andhra Bank 17 Mill Road Coimbatore- 641 001 Tel: +91-422-2394418 Fax: +91-422-2393511 Email: andhrabankcbe@gmail.com Contact Person: Mr. Raja Ratna Sai	IDBI Bank Door No 72, May Flower E Castle Dr. Balasundaram Road (RTO Road) ATT Colony Coimbatore- 641 018 Tel: +91-422-4299075 Fax: +91-422-2240160 Email: rajesh_nambiar@idbi.co.in Contact Person: Mr. Rajesh Nambiar	YES Bank Limited No 694/A-1, Manchester Krsna Landmark Avinashi Road Coimbatore- 641 037 Tel: +91-422-6649000 Fax: +91-422- 6649113 Email: shivakumar.b@yesbank.in Contact Person: Mr. B Sivakumar

Lead Manager to the Issue

Keynote Corporate Services Limited
4th Floor, Balmer Lawrie Building,
5, J. N. Heredia Marg, Ballard Estate,
Mumbai – 400 001,
Maharashtra, India.
Tel: +91 22 3026 6000-3
Fax: +91 22 2269 4323
E-mail: lgb.rights@keynoteindia.net
Website: www.keynoteindia.net
Contact Person: Mr. Chintan Hefa
SEBI Registration Number: INM 000003606

Bankers to the Issue

ICICI Bank Limited
Capital Market Divisions
30, Raj Bhadur Mansion
Fort, Mumbai 400 001
Tel: +91-022-66310325
Fax: +91-022-66310350
E-mail: kuchuri.himabindu@icicibank.com
Website: www.icicibank.com
Contact Person: Mrs. K. Himabindu

Legal Counsel to the Issue

M/s Iyer & Thomas Advocates

15/8, 7th Cross Street,
Indranagar, Adyar,
Chennai 600 020
Tamil Nadu, India
Tel: +91-44-4350 4777
Fax: +91-44-4350 4999
Email: mail@iyerandthomas.com

Registrar to the Issue

Cameo Corporate Services Limited*

“Subramanian Building”,
No 1, Club House Road,
Chennai- 600 002
Tamil Nadu, India
Tel: +91-44-28460390
Fax: +91-44-28460129
E-mail: cameo@cameoindia.com
Website: www.cameoindia.com
Contact Person: Mr R. D Ramaswamy
SEBI Registration Number: INR000003753

** The registration certificate was valid till March 31, 2011. The registrar has made an application vide its letter dated December 30, 2010 with SEBI for renewal of its certificate of registration.*

Self Certified Syndicate Banks

All QIBs and Non-Institutional Investors must mandatorily and Retail Individual Investors may optionally apply through the ASBA process provided that they hold Equity Shares as on the Record Date in dematerialised form. The ASBA Investors are required to fill the ASBA Form and submit the same to their Self Certified Syndicate Banks (“SCSB”) which in turn will block the amount as per the authority contained in the ASBA Form and undertake other tasks as per the specified procedure. The list of banks that have been notified by SEBI to act as SCSB for the ASBA Process are provided in the SEBI website www.sebi.gov.in. Details relating to designated branches of SCSBs collecting the ASBA forms are available at the above mentioned link. On allotment, the amount would be unblocked and the account would be debited only to the extent required to pay for the Equity Shares allotted.

For further details on the ASBA process, please refer to details given in ASBA form and also see “Terms of the Issue” on page 141 of this Letter of Offer.

Investors may please contact the Registrar to the Issue or our Company Secretary and Compliance Officer for any pre-issue /post-issue related matter such as non-receipt of Abridged Letter of Offer / CAF / letter of allotment / share certificate(s) / credit of allotted shares in the respective beneficiary account / refund orders etc. All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, Amount blocked, ASBA Account number and the Designated Branch of the SCSB where the CAF was submitted by the ASBA Investors.

Allocation of responsibilities

Keynote Corporate Services Limited is the sole Lead Manager to this issue, however the list of major responsibilities of Keynote Corporate Services Limited inter alia, is as follows:



SI No.	Activity
1.	Capital structuring with the relative components and formalities such as composition of debt and equity, type of instruments.
2.	Drafting and design of the offer document and of advertisement / publicity material including newspaper advertisements and brochure / memorandum containing salient features of the offer document. To ensure compliance with the SEBI Regulations and other stipulated requirements and completion of prescribed formalities with Stock Exchange and SEBI.
3.	Retail/Non-institutional marketing strategy which will cover, inter alia, preparation of publicity budget, arrangements for selection of (i) ad-media, (ii) bankers to the issue, (iii) collection centres (iv) distribution of publicity and issue material including composite application form and the Abridged Letter of Offer and the Draft Letter Of Offer to the extent applicable.
4.	Institutional marketing strategy to the extent applicable.
5.	Selection of various agencies connected with the issue, namely Registrar to the Issue, printers, and advertisement agencies.
6.	Follow-up with bankers to the issue to get quick estimates of collection and advising the issuer about closure of the issue, based on the correct figures.
7.	The post-issue activities will involve essential follow-up steps, which must include finalisation of basis of allotment / weeding out of multiple applications, listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as registrars to the issue, bankers to the issue, and bank handling refund business. Even if many of these post-issue activities would be handled by other intermediaries, the Lead Manager shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable agreements with the Issuer.

Credit rating

As the Issue is a rights issue of Equity Shares, no credit rating is required. No ratings have been received by us in the past.

Monitoring Agency

Since the Issue size does not exceed ₹ 50,000 Lacs, the appointment of a monitoring agency as per Regulation 16 of the SEBI Regulations is not required.

Appraisal

The objects of this Issue have not been appraised by any bank or any other independent financial institution.

Principal Terms of Loan and Assets charged as security

For details of the principal terms of loans and assets charged as security, please see “Financial Indebtedness” on page 116 of this Letter of Offer.

Experts

Except for the reports of the Auditor of our Company on the audited financial informations and statement of tax benefits, included in the Letter of Offer, our Company has not obtained any expert opinions.

Underwriting

This Issue of Equity Shares is not being underwritten and/or no standby support is being sought for the said Issue.

CAPITAL STRUCTURE

The capital structure of our Company and related information as on date of this Letter of Offer, prior to and after the proposed Issue, is set forth below:

(₹ in lacs except per share data)

Particulars	Aggregate Nominal Value	Aggregate Value at Issue Price
Authorised share capital:		
170,000,000 equity shares of ₹1 each	1,700.00	
300,000 Preference Shares of ₹ 100 each	300.00	
Total	2,000.00	
Issued, subscribed and paid up capital before the Issue		
100,001,034 equity shares of ₹1 each	1,000.01	
Total	1,000.01	
Present Issue being offered to the Equity Shareholders through the Letter of Offer*		
50,000,517 equity shares of ₹1 each at an Issue Price of ₹ 2.75 per Equity Share (premium of ₹ 1.75 per Equity Share)	500.01	1,375.01
Paid up capital after the Issue		
150,001,551 equity shares of ₹1 each	1,500.16	
Securities premium account		
Before the Issue	Nil	
After the Issue	875.01	

Details of increase in the Authorized Share Capital since incorporation

Sl No.	Particulars	Date of the shareholders resolution
1	The authorized share capital of ₹ 1,000,000 comprising of 100,000 equity shares of ₹10 each	Incorporation
2	The initial authorized share capital of ₹ 1,000,000 comprising of 100,000 equity shares of ₹10 each was sub-divided and reclassified to ₹ 1,000,000 divided into 1,000,000 equity shares of ₹1 each	December 5, 2007
3	The authorized share capital of our company of ₹ 1,000,000 comprising of 1,000,000 Equity Shares was further increased to ₹ 120,000,000 divided into 120,000,000 equity shares of ₹1 each	December 5, 2007
4	The authorized share capital of our company of ₹ 120,000,000 comprising of 120,000,000 equity shares of ₹1 each was further increased to ₹ 200,000,000 divided into 170,000,000 equity shares of ₹1 each and 300,000 preference shares of ₹ 100 each	October 29, 2011

Notes to the Capital Structure

1. Share Capital History

Date of allotment of the Equity Shares	No. of Equity Shares allotted	Face Value (₹)	Issue Price (₹)	Nature of consideration	Nature of Allotment	Issued Equity Capital (₹)	Cumulative number of Equity Shares	Cumulative Equity Share Capital (₹)	Cumulative Equity Share Premium (₹)
June 7, 2006	50,000	10	10	Cash	Initial Allotment based on subscription to Memorandum of Association ¹	500,000	50,000	500,000	Nil
January 5, 2007	50,000	10	10	Cash	Further allotment of shares ²	500,000	100,000	1,000,000	Nil
December 5, 2007	Sub-division of equity shares to face value of ₹1 each								
December 5, 2007	1,000,000	1	-	Cash	Nil	1,000,000	1,000,000	1,000,000	Nil
December 19, 2007	20,520,000	1	1	Cash	Further allotment of shares ³	20,520,000	21,520,000	21,520,000	Nil
May 30, 2008	78,481,034	1	1	Cash	Allotment of shares pursuant to scheme approved under section 391-394 of the Act ⁴	78,481,034	100,001,034	100,001,034	Nil

- Initial subscription to MoA by Mr. B.Vijayakumar (10 equity shares), Mrs. Vijayakumar Vijayshree (10 equity shares), Mrs. Rajsri Vijayakumar (10 equity shares), M/s L.G. Balakrishnan & Bros. Limited (49,950 equity shares), M/s LGB Auto Products Limited (10 equity shares), M/s Elgi Automotive Service Limited (5 equity shares) and M/s LG Farm Products Limited (5 equity shares).
- Further allotment of Shares to Mrs. V. Rajsri (10,000 equity shares) and Mr. Vijayakumar Rajvirdhan (40,000 equity shares).
- Further allotment of Shares to Mr.B. Vijayakumar (2,019,900 Equity Shares), Mrs. Vijayakumar Vijayshree (1,999,900 Equity Shares), Mrs. V. Rajsri (3,000,200 Equity Shares), M/s L.G. Balakrishnan & Bros. Limited (10,500,000 Equity Shares) and Mr. Vijayakumar Rajvirdhan (3,000,000 Equity Shares)
- Allotted to all the shareholders of our Company pursuant to the scheme of arrangement. For further details, please see "Business Overview" on page 46 of this Letter of Offer

2. The shareholding pattern of our Company as on September 30, 2011:

Category Code	Category of Shareholder	Number of Shareholders	Total No. of shares	Number of shares held in demoted form	Total shareholding as a percentage of total number of shares		Post Issue	
					As a % of (A+B) (VI)	As a % of (A+B+C) (VI)	No. of Shares (VIII)	As a % (IX)
(A)	Promoter and Promoter Group							
(1)	Indian							
(a)	Individuals/HUF	8	34,907,620	34,907,620	34.91	34.91	52,361,430	34.91
(b)	Bodies Corporate	9	20,472,794	20,472,794	20.47	20.47	30,709,191	20.47
	Sub-Total (A)(1)	17	55,380,414	55,380,414	55.38	55.38	83,070,621	55.38
(2)	Foreign	-	-	-	-	-	-	-
	Sub Total (A)(2)	-	-	-	-	-	-	-
	Total holding of Promoter and	17	55,380,414	55,380,414	55.38	55.38	83,070,621	55.38

Category Code	Category of Shareholder	Number of Shareholders	Total No. of shares	Number of shares held in demated form	Total shareholding as a percentage of total number of shares		Post Issue	
					As a % of (A+B) (VI)	As a % of (A+B+C) (VI)	No. of Shares (VIII)	As a % (IX)
	Promoter Group (A)=(A)(1)+(A)(2)							
(B)	Public Shareholding							
(1)	Institutions							
(a)	Financial Institutions/Banks	2	16,020	16,000	0.02	0.02	24,030	0.02
(b)	Insurance Companies	1	135,960	135,960	0.14	0.14	203,940	0.14
(c)	Foreign Institutional Investors	3	5,542,214	5,535,714	5.54	5.54	8,313,321	5.54
	Sub-Total (B)(1)	6	5,694,194	5,687,674	5.69	5.69	8,541,291	5.69
(2)	Non Institutions							
(a)	Bodies Corporate	333	2,055,103	2,039,082	2.06	2.06	3,082,655	2.06
(b)	Individuals							
	i) Holding nominal share capital upto ₹ 1 lac	16,283	24,057,304	20,240,112	24.06	24.06	36,085,956	24.06
	ii) Holding nominal share capital in excess of ₹ 1 lac.	22	8,889,049	2,600,549	8.89	8.89	13,333,574	8.89
(c)	Any Other(specify)							
	Clearing Members	16	13,379	13,379	0.01	0.01	20,069	0.01
	Directors & their relatives & friends	5	2,543,887	2,274,787	2.54	2.54	3,815,831	2.54
	HUF	302	1,057,481	1,057,481	1.06	1.06	1,586,222	1.06
	Non Resident Individuals/ Overseas Corporate Bodies	80	310,223	288,723	0.31	0.31	465,335	0.31
	Sub-Total (B)(2)	17,041	38,926,426	28,514,113	38.93	38.93	58,389,639	38.93
	Total Public shareholding (B)=(B)(1)+(B)(2)	17,047	44,620,620	34,201,787	44.62	44.62	66,930,930	44.62
	TOTAL (A)+(B)	17,064	100,001,034	89,582,201	100.00	100.00	150,001,551	100.00
(C)	Shares held by Custodians and against which Depository Receipts have been issued	-	-	-	-	-		
	GRAND TOTAL (A)+(B)+(C)	17,064	100,001,034	89,582,201	100.00	100.00	150,001,551	100.00

Statement showing Shareholding of persons belonging to the category Promoter and Promoter Group as on September 30, 2011:

Sr. No.	Name of the shareholder	Number of shares	Shares as a percentage of total number Equity Shares
1	B.Vijayakumar	11,632,200	11.63
2	Vijayakumar Rajvirdhan	8,475,300	8.48
3	V.Rajsri	11,722,340	11.72
4	Vijayakumar Vijayshree	2,001,000	2.00
5	Vijayshree Karivardhan	61,250	0.06
6	Arjun Karivardhan	508,520	0.51
7	Nithin Karivardhan	507,000	0.51
8	Rajiv Parthasarathy	10	0.00
9	L.G.Balakrishnan & Bros ltd	10,550,000	10.55
10	Elgi Automotive Services (P) Ltd	4,150,000	4.15



Sr. No.	Name of the shareholder	Number of shares	Shares as a percentage of total number Equity Shares
11	LGB Auto Products(P) Ltd	3,850,000	3.85
12	LG Farm Products(P) Ltd	1,473,000	1.47
13	Super Speeds (P) Ltd	66,900	0.07
14	LG Sports Ltd	4,994	0.00
15	Super Transports (P) Ltd	350,000	0.35
16	Silent Chain India (P) Ltd	18,000	0.02
17	Vijayshree Spinning Mills Pvt Ltd	9,900	0.01
Total		55,380,414	55.38

The Promoter and Promoter Group have confirmed that they intend to subscribe collectively to the full extent of their Rights Entitlement in the Issue. The Promoter and Promoter Group have provided an undertaking dated December 5, 2011 to our Company to apply for additional Equity Shares, to the extent of the unsubscribed portion of the Issue, if any, from the public shareholders. As a result of this subscription and consequent Allotment, the Promoter and Promoter Group may acquire Equity Shares over and above their Rights Entitlement in the Issue, which may result in an increase of the shareholding being above the current shareholding with the Rights Entitlement. Such subscription and acquisition of additional Equity Shares by the Promoter and the Promoter Group through this Issue, if any, will not result in change of control of the management of our Company. Assuming no subscription from the public is received and the Promoter and Promoter group subscribing to such unsubscribed portion in full, their post Issue shareholding in our Company may increase to 70.25% from the present 55.38% as on September 30, 2011. Thus, post Issue, the public shareholding in our Company would stand at 29.75% which is in compliance with “continuous listing requirements” as per the provisions of Rule 19(A)(1) of SCRR. Further, such acquisition is exempted from the obligation to make an open offer as the conditions prescribed in Regulation 10(4)(b) of the Takeover Code are duly complied with.

Details of locked-in, pledged, encumbered shares of the Promoter and Promoter Group

Sl No	Promoter and Promoter Group	Locked-in/ Pledged/ Encumbered*	Total Number of shares as on date of DLOF	Number of Shares locked in/ pledged/ encumbered as on date of DLOF
1	B Vijayakumar	Locked In	11,632,200	2,270,000
2	Vijayakumar Vijayshree	Locked In	2,001,000	2,000,000
3	V. Rajsri	Locked In	11,722,340	3,150,000
4	Rajviridhan V	Locked In	8,475,300	3,400,000
5	L G Balakrishnan & Bros Ltd	Locked In	10,550,000	10,550,000
6	ELGI Automotive Services P Limited	Locked In	4,150,000	50,000
7	LGB Auto Products P Limited	Locked In	3,850,000	50,000
8	LG Farm Products P Limited	Locked In	1,473,000	50,000
Total			53,853,840	21,520,000

* - pursuant to the scheme of arrangement, the Equity Shares of the Promoter and Promoter Group are locked-in for a period of four years from August 1, 2008 i.e., the date of listing of equity shares on BSE and NSE.

3. Top Ten Shareholders

The list of the top ten shareholders of our Company and the number of Equity Shares held by them is provided below:

a) *The top ten shareholders of our Company and the number of Equity Shares held by them as on the date of filing this Draft Letter of Offer i.e. as on December 5, 2011 are as follows:*

Sl No	Shareholder	Total No. of Equity Shares Held	Pre Issue %
1	V.Rajsri	11,722,340	11.72
2	B.Vijayakumar	11,632,200	11.63
3	L.G.Balakrishnan & Bros Ltd	10,550,000	10.55
4	Vijayakumar Rajvirdhan	8,475,300	8.47
5	International Finance Corporation	5,532,714	5.53
6	L.G.B Educational Foundation	4,815,640	4.82
7	Elgi Automotive Services (P) Ltd	4,150,000	4.15
8	LGB Auto Products (P) Ltd	3,850,000	3.85
9	Arjun Parthasarathy	2,272,132	2.27
10	Vijayakumar Vijayshree	2,001,000	2.00

b) *The top ten shareholders of our Company and the number of Equity Shares held by them ten days prior to filing of this Draft Letter of Offer i.e. November 25, 2011 are as follows:*

Sl No	Shareholder	Total No. of Equity Shares Held	Pre Issue %
1	V.Rajsri	11,722,340	11.72
2	B.Vijayakumar	11,632,200	11.63
3	L.G.Balakrishnan & Bros Ltd	10,550,000	10.55
4	Vijayakumar Rajvirdhan	8,475,300	8.47
5	International Finance Corporation	5,532,714	5.53
6	L.G.B Educational Foundation	4,815,640	4.82
7	Elgi Automotive Services (P) Ltd	4,150,000	4.15
8	LGB Auto Products (P) Ltd	3,850,000	3.85
9	Arjun Parthasarathy	2,272,132	2.27
10	Vijayakumar Vijayshree	2,001,000	2.00

c) *Our top ten shareholders and the number of Equity Shares held by them two years prior to filing this Draft Letter of Offer i.e. December 5, 2009 are as follows:*

Sl No	Shareholder	Total No. of Equity Shares Held	Pre Issue %
1	B.Vijayakumar	11632200	11.63
2	L.G.Balakrishnan & Bros Ltd	10550000	10.55
3	Vijayakumar Rajvirdhan	8475300	8.47
4	V.Rajsri	7597880	7.60
5	International Finance Corporation	5532714	5.53
6	L.G.B Educational Foundation	4815640	4.82
7	Elgi Automotive Services Ltd	4150000	4.15
8	B.Sarojini	4124460	4.12
9	LGB Auto Products Ltd	3850000	3.85
10	Vijayakumar Vijayshree	2070609	2.07

4. There are no financing arrangements whereby our Promoter Group, our Group Companies, our Directors and their relatives have financed the purchase by any other person of the Equity Shares of our Company during the period of 6 months immediately preceding the date of filing of the Letter of Offer with SEBI.



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5. The Issue being a rights issue, as per Regulation 34(c) of the SEBI Regulations, the requirement of promoters' contribution and lock-in are not applicable.
 6. The Promoters, Directors, immediate relatives of the Directors and members of the Promoter Group have not undertaken/ financed, directly or indirectly, any transaction in the Equity Shares in the six months preceding the date of filing of this Letter of Offer.
 7. Our Company has not raised any bridge loans against the Issue proceeds.
 8. Neither our Company, nor the Directors or the Promoters, or the Lead Manager have entered into any buy-back and/or standby arrangements for the purchase of Equity Shares of our Company.
 9. As on September 30, 2011, none of the Equity Shares of our Company have been pledged or otherwise encumbered.
 10. There are no outstanding warrants, financial instruments or any rights, which would entitle the Promoters or the shareholders of our Company or any other person any option to acquire any of the Equity Shares.
 11. Our Company has not made any public issue or rights issue of any kind or class of securities since incorporation.
 12. The Equity Shares of our Company are fully paid up and there are no partly paid up Equity Shares as on the date of this Letter of Offer.
 13. No further issue of capital by way of issue of bonus shares, preferential allotment, rights issue or public issue or in any other manner which will affect the equity capital of our Company, shall be made during the period commencing from the filing of the Letter of Offer with the SEBI to the date on which the Equity Shares issued under the Letter of Offer are listed or application moneys refunded on account of the failure of the Issue.
 14. Further, our Company has no intention to alter the equity capital structure by way of split/ consolidation of the denomination of the shares, or issue of shares on preferential basis or issue of bonus rights or public issue of shares or any other securities for a period of six months from the date of opening of the Issue.
 15. Except as disclosed in the chapter titled "Management" on page 68 of the Letter of Offer, none of our Directors or Key Managerial Personnel holds any Equity Shares.
 16. Our Company has issued and allotted 78,481,034 Equity Shares in terms of scheme approved under sections 391-394 of the Companies Act. For further details, please see "Business Overview" on page 46 of this Letter of Offer.
 17. Our Company has not revalued its fixed assets since incorporation.
 18. Our Company, Directors, Promoters or Promoter Group shall not make any payments direct or indirect, discounts, commissions, allowances or otherwise under this Issue.
 19. There shall be only one denomination of Equity Shares, unless otherwise permitted by law. Our Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
 20. As of September 30, 2011, the total number of holders of Equity Shares is 17,064.

21. Our Company has not made any issue of specified securities during the preceding one year.
22. No Equity Shares have been issued during the preceding one year from the date of filing of this Letter of Offer to the Promoter or the Promoter Group. Further, none of the Equity Shares have been issued to Promoter or member of the Promoter Group or any member of our Company for consideration other than cash.
23. The Issue will remain open for 15 (fifteen) days. However, the Board will have the right to extend the Issue period as it may determine from time to time but not exceeding 30 (thirty) days including the Issue Opening Date.
24. As on the date of the Draft Letter of Offer, the lead manager to the Issue does not hold any Equity Shares of our Company.



SECTION IV – PARTICULARS OF THE ISSUE

OBJECTS OF THE ISSUE

The object of the proposed rights issue of our company is to infuse additional long term capital resources to strengthen the financial position of our Company by reducing the borrowings/loans to some extent. The equity capital proposed to be infused by way of this rights issue will be utilized for repayment of certain loans which will go a long way in augmenting the cash flow and improving the financial condition of our Company.

The details of objects of the issue are:

1. Part repayment of working capital loans;
2. Part repayment of unsecured loans &
3. To meet the issue expenses

The main objects clause set out in our Memorandum of Association and objects incidental to the main objects enable us to undertake our existing activities and the activities for which funds are being raised by us through the Issue. For further details on the main objects clause set out in our Memorandum of Association, please see “History and Other Corporate Matters” on page 64. The fund requirement and deployment have not been appraised.

Rationale for the Objects

Pursuant to the scheme of arrangement approved by the Hon'ble High Court at Madras, the entire business and assets of forging unit of L.G. Balakrishnan & Bros Limited was demerged and transferred to our Company with effect from April 1, 2008. These included the borrowings (secured loans and unsecured loans) with respect to our “forgings” business which were amounting to ₹ 7,544.11 lacs of the Company. Financial Year 2008-09 witnessed a recession due to various global economic factors which plunged the demand for goods across all sectors including that of ours i.e., forging. Thus, due to low demand, our order book did not see any growth in numbers during the period from September 2008 besides having the pending obligations to complete earlier contracts, for which even price revision was not possible due to long term nature of these contracts. As a result, our Company was not in a position to make profits. Further on account of severe power cuts in the state, our Company had to run the manufacturing facilities on diesel generator sets which further increased our cost of production. As a result, our Company reported a net loss of ₹ 1,119 lacs during the FY 2008-09.

This trend continued during the FY 2009-10. Our Company could not arrange additional credit facilities from the Banks on account of our continuing losses. This resulted in under utilization of capacity due to which we had to operate our business in one shift for the year. These factors adversely affected our income thus resulting in more losses to the tune of ₹ 1359 lacs whereas our repayment of loan liabilities continued. Under these circumstances, our Company had to borrow money from our Promoter/Promoter Group/Directors for the continuing the business operations in the Company.

Though the situation improved to some extent in FY 2010-11, our Company reported a loss of ₹ 862 lacs during the year. The overall effect of the same was that our Company had accumulated losses to the extent of ₹3,340 lacs as on March 31, 2011. As per audited financial statements for six months period ended September 30, 2011, our Company has reported net loss of ₹245.43 lacs which will further deteriorate the financial position of our Company.

Looking at the situation, we propose to strengthen the financial position of our Company by bringing in long term resources in the form of equity capital through this rights issue which shall not only enhance our networth but also reduce the debt in our Company.

The details of requirements of funds and means of finance are as under:

Cost of Project

Sr. No.	Description	Amount (in lacs)
1	Part repayment of working capital loan	630.00
2	Part repayment of unsecured loans	715.00
3	To meet the issue expenses	30.00
Total		1375.00

Means of Finance

Sr. No.	Description	Amount (in lacs)
1	Proceeds of the rights issue i.e. issue of 5,00,00,517 equity shares of ₹1/- each at a price of ₹2.75 per share	1375.00
Total		1375.00

Details of the objects of the Rights Issue

The objects of the issue are proposed to be financed entirely out of the proceeds of the rights issue of the company. The details of the objects are enumerated as below:

1. Part repayment of working capital loans

Our company has been using working capital facilities from various Banks. The total working capital facilities used and outstanding as on September 30, 2011 is to the tune of ₹ 2,335 lacs. Such working capital facilities are secured by way of hypothecation of inventories, book debts both present and future and also a corporate guarantee given by L.G. Balakrishnan & Bros. Ltd., our flagship company. There has been strain on working capital finance and company had to utilize the facilities which are at a high rate of interest. We intend to utilize ₹630 lacs towards repayment/ part repayment of some of the high cost working capital loans, the details of which are as under:

Sl. No.	Name of the Bank	Outstanding Balance as on September 30, 2011 (in lacs)	Present rate of Interest (%) P.A.
1	Axis Bank	355.70	14.75
2	Corporation Bank	354.55	15.75
3	ICICI Bank Ltd.	334.99	14.80
4	IDBI Bank Ltd.	422.16	15.25
5	Andhra Bank	617.60	15.00
6	Yes Bank	250.00	12.50
Total		2,335.00	

It shall be our endeavor to repay or part pay the outstanding loans carrying higher rate of interest. We propose to repay the outstanding working capital loan of Corporation Bank of ₹ 354.55 lacs and partly repay the outstanding working capital loan of IDBI Bank Limited to the extent of ₹ 275.45 lacs from the proceeds of this Issue.

2. Part repayment of unsecured loans

We have from time to time availed unsecured loans from our promoter/promoter group to finance the operations of our Company. The total outstanding unsecured loans as on September 30, 2011 are to the extent of ₹ 973.97 lacs. Our company proposes to repay part of these unsecured loans availed from promoter/promoter group to the extent of ₹ 715 lacs. The details of unsecured loans proposed to be repaid are as follows:



Name of the entity from whom loan availed	Date	Amount of Loan Outstanding as on 30/09/2011 (in lacs)	Security	Rate of Interest (%) P.A.	Repayment Schedule
M/s. Silent Chain India P Ltd.	24/03/2009	340	ICD Unsecured	11	Repayable on demand
Mr. B Vijayakumar	04/11/2009	95	Unsecured Loan	11	Repayable on demand
Mr. V Rajvirdhan	10/12/2009	30	Unsecured Loan	11	Repayable on demand
Mr. Rajiv Parthasarathy	24/09/2009	250	Unsecured Loan	11	Repayable on demand
Total		715			

The repayment of these loans will go a long way in improving the financial position of our Company as the said loans which are short term in nature will be replaced by long term resource in the form of equity capital. The effect of repayment of these unsecured loans on our debt to equity would be as follows:

Particulars	(₹ in lacs)	
	Pre Issue as at September 30,2011	Post Issue
Borrowings		
Secured Loans (A)	6,335.00	5,705.00
Unsecured Loans (B)	973.97	258.96
Total Debts (A + B = C)	7,308.97	5,963.96
Shareholder's Funds		
Share capital	1,000.01	1,500.02
Reserves	2,898.85	2,898.85
Share Premium	-	875.01
Debit balance in Profit & Loss A/c	(3,586.13)	(3,586.13)
Total Shareholder's Fund (D)	312.73	1,687.83
Total Debt/Equity Ratio (C/D)	23.37 : 1	3.53 : 1

Thus, the said restructuring processes through this rights issue will not only ease the pressure on finance but also improve our financial ratios. The said process coupled with improvement in market conditions and business environment will benefit our Company in the long run.

3. To meet the issue expenses

The Issue related expenses include, among others, fees to various advisors, printing and distribution expenses, advertisement expenses, and registrar and depository fees. The estimated Issue related expenses are as follows:

Particulars	Amount (₹ in lacs)	As percentage of total expenses	As a percentage of Issue size
Fees of the Intermediaries	18.50	61.67	1.35
Advertising, traveling and marketing expenses	4.40	14.67	0.32
Printing and stationery expenses	4.50	15.00	0.33
Statutory and other miscellaneous expenses	2.60	8.67	0.19
Total estimated Issue related expenses	30.00	100.00	2.18

Schedule of Implementation and Deployment of Funds

The fund requirement and deployment are based on internal management estimates and have not been appraised by any bank or financial institution. These are based on the current status of our business and are subject to change in light of variations in external circumstances or costs, or in our financial condition. We propose to deploy the issue proceeds on the objects of the issue immediately on completion of the Rights issue not exceeding 3 months time from the closure of the issue.

Funds Deployed

As per the certificate dated December 5, 2011 issued by M/s Haribhakti & Co., Chartered Accountants, we have deployed ₹ 10.75 lacs till December 5, 2011 towards Issue expenses. The same has been financed from the internal accruals of our Company.

Interim use of proceeds

The management of our Company, in accordance with the policies formulated by it from time to time, will have flexibility in deploying the Issue proceeds. Pending utilization of the Issue proceeds for the purposes described above, our Company intends to temporarily invest the funds in interest bearing liquid instruments including investments in mutual funds and other financial products, such as principal protected funds, derivative linked debt instruments, other fixed and variable return instruments, listed debt instruments, rated debentures or deposits with banks as may be approved by the Board. Such investments would be in accordance with the investment policies approved by the Board from time to time.

Appraisal

The objects of this Issue have not been appraised by any bank or any other independent financial institution.

Monitoring of Utilisation of Funds

Since the Issue size does not exceed ₹ 50,000 Lacs, the appointment of a monitoring agency as per Regulation 16 of the SEBI Regulations is not required. Pursuant to clause 49 of the Listing Agreement, our Company shall on a quarterly basis disclose to the Audit Committee the uses and applications of the Issue Proceeds. On an annual basis, our Company shall prepare a statement of funds utilized for purposes other than those stated in the Letter of Offer and place it before the Audit Committee. Such disclosure shall be made only until such time that the Issue proceeds have been utilised in full. The statement shall be certified by the statutory auditors of our Company. Furthermore, in accordance with clause 43A of the Listing Agreement our Company shall furnish to the Stock Exchanges on a quarterly basis, a statement including material deviations if any, in the utilisation of the proceeds of the Issue from the objects of the Issue as stated above. This information will also be published in newspapers simultaneously with the interim or annual financial results, after placing the same before the Audit Committee.



BASIS OF ISSUE PRICE

The Issue Price has been determined by our Company, in consultation with the Lead Manager, on the basis of market conditions and on the basis of the following quantitative and qualitative factors. The information presented in this section for Fiscal 2009, 2010 and 2011 is derived from our Company's audited financial information, prepared in accordance with Indian GAAP and the Companies Act and in accordance with the SEBI Regulations. You should read the following summary with the sections titled "Risk Factors", "Business Overview" and "Financial Information" on pages ix, 46 and 89, respectively, of this Letter of Offer, to get a more informed view before making an investment decision. The trading price of the Equity Shares could decline and you may lose all or part of your investments.

Qualitative Factors

- Part of a reputed business house "L.G. Balakrishnan & Bros Limited";
- Experienced management team;
- Established reputation for quality products;
- Grant/ Issuance of quality certifications and quality standards;
- Strong research and development team;
- Driving growth through innovation and marketing

For a detailed discussion on the qualitative factors, please refer to the sections titled "Our Business – Competitive Strengths" and "Risk Factors" on pages 53 and ix respectively of this Letter of Offer.

Quantitative Factors

Information presented in this section is derived from our Company's audited financial informations prepared in accordance with Indian GAAP, Companies Act and the SEBI Regulations. Quantitative factors are as follows:

1. Basic and Diluted Earnings per Share (EPS)

Period	Basic and Diluted EPS (₹)	Weight
Fiscal 2009	(1.12)	1
Fiscal 2010	(1.36)	2
Fiscal 2011	(0.86)	3
Weighted Average	(1.07)	
Six months ended September 30, 2011	(0.25)	

Note:

- The figures disclosed above are based on the audited financial information of our Company.
- The face value of each Equity Share is ₹ 1.
- EPS calculation have been done in accordance with Accounting Standard 20- "Earning per share" issued by the Institute of Chartered Accountants of India
- The above statement should be read with Significant Accounting Policies and the Notes to the audited financial information as appearing on page 89 of this Letter of Offer.

2. Price Earnings Ratio (P/E) in relation to the Issue price of ₹ 2.75 per Equity Share of ₹ 1 each

The P/E ratio based on the basic and diluted EPS for the Fiscal Year 2011 at the Issue Price is negative.



Industry P/E*

	P/E Ratio	Name of the Company	Face Value of the equity shares (₹)
Highest	21.90	KIC Metaliks Limited	10
Lowest	3.30	Ahmednagar Forgings Limited & Simplex Castings Limited	10
Average	15.40	-	-

Source: Capital Market volume XXV/17 October 17-30, 2011; Industry: Castings & Forgings

3. Return on Net Worth (RoNW)

Period	RoNW (%)	Weight
Fiscal 2009	(39.67)	1
Fiscal 2010	(95.70)	2
Fiscal 2011	(154.48)	3
Weighted Average	(115.75)	
Six months ended September 30, 2011	(78.48)	

Minimum Return on increased Net Worth required to maintain Pre-Issue EPS for Fiscal 2011 at the Issue Price on the basic and diluted EPS – 66.73%

Net Asset Value

Period	₹
Fiscal 2009	2.78
Fiscal 2010	1.42
Fiscal 2011	0.56

Issue Price	₹2.75 per Equity Share
NAV after the Issue	₹1.13 per Equity Share

Comparison of Accounting Ratios with Industry Peers

Name of the company	Face Value (₹ per share)	EPS (₹)	P/E Ratio	RoNW (%)	Book Value (₹ per share)
LGB Forge	1	(0.86)	(3.44)	(154.48)	0.55
Peer Group**					
Ahmednagar Forgings Limited	10	29.60	3.30	13.10	169.60
El Forge Limited	10	-	-	-	21.90
Kalyani Forge	10	20.90	5.80	10.10	216.90
M M Forgings	10	16.20	5.60	17.30	107.10
Mahindra Forgings	10	-	-	-	93.50
Ramkrishna Forgings	10	12.00	8.00	15.80	94.70

Source: Capital Market volume XXV/17 October 17-30, 2011; Industry: Castings & Forgings

The issue price of ₹ 2.75 per share is 2.75 times the face value of ₹1/- per equity share. The volume weighted average market price of the shares of our Company during a period of sixty trading days ending on the day prior to the date of determination of the rights issue price i.e., October 29, 2011 (Date of EGM) works out to ₹ 2.77 per Equity Share. Further, the 52 week high & low prices of our Equity Shares on BSE are ₹ 4.05 & ₹ 2.05 respectively, while on NSE are ₹ 4.45 & ₹ 2.00 respectively. Thus, considering the above qualitative and quantitative factors, the Issue Price is justified.



STATEMENT OF TAX BENEFITS

Statement of possible direct tax benefits available to LGB Forge Limited and its shareholders

To,
The Board of Directors
LGB Forge Limited
6/16/13, Krishnarayapuram Road,
Ganapathy Post, Coimbatore – 641 006,
Tamil Nadu, India.

Dear Sirs,

Sub: Proposed Rights Issue of Equity Shares (the “Issue”) by LGB Forge Limited (the “Company”)

We report that the enclosed statement states the possible direct tax benefits generally available to the Company and to its shareholders under the Income-tax Act, 1961 and Wealth Tax Act, 1957, presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the statute. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon their fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill. There are no Special Tax Benefits available to the Company and the Shareholders.

The benefits discussed in the enclosed annexure are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Issue. Neither we are suggesting nor advising the investor to invest money based on this statement.

We do not express any opinion or provide any assurance as to whether:

- i. the Company or its shareholders will continue to obtain these benefits in future; or
- ii. the conditions prescribed for availing the benefits have been / would be met with.

The contents of the enclosed statement are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

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

Sd/-
C.S. Sathyanarayanan
Partner
Membership No: 028328

Place: Coimbatore
Date: 31.10.2011

ANNEXURE

Statement of direct tax benefits generally available to the Company and the shareholders

I. General tax benefits available to the Company under the Income-tax Act, 1961

1. Under section 10(34) of the Income-tax Act, 1961 ('the IT Act'), any income by way of dividends referred to in Section 115-O paid by domestic companies is exempt from tax in the hands of recipient. However, as per the provisions of section 14A of the IT Act read with Rule 8D of the Income-tax Rules, 1962 ("IT Rules") the expenses incurred for earning such exempt dividend will not be allowed as deduction in the hands of the recipient. Further, as per provisions of section 94(7) of the IT Act, losses arising from sale/transfer of shares, where such shares were purchased within three months prior to record date and sold within three months from record date, will be disallowed to the extent such loss does not exceed the amount of such exempt dividend.
2. As per the provisions of section 10(35) of the IT Act, any income received from units of a Mutual Fund specified under Section 10(23D) of the IT Act, is exempt from tax.
3. As per provisions of section 111A of the IT Act, in respect of short-term capital gains on sale of shares in a transaction carried out through a recognized stock exchange in India, and where such transaction is chargeable to securities transaction tax ("STT"), tax will be chargeable at 15 percent (plus applicable surcharge and education cess). However, no deduction under Chapter VI-A of the IT Act would be allowed from such short term capital gains subjected to tax under Section 111A. In other cases, where the transaction is not subjected to STT, the short term capital gains would be taxable at the normal corporate tax rate as a part of the total income.
4. As per provisions of Section 10(38) of the IT Act, the long-term capital gains on sale of shares in a transaction carried out through a recognized stock exchange in India, and where such transaction is chargeable to STT, is exempt from tax. However, in case the company is liable to pay tax on book profits under section 115JB of the IT Act, such long term capital gain would be liable to tax under that section.
5. As per the provisions of section 112 of the IT Act, long term gains from the transfer of shares otherwise than as mentioned in point 4 above, is chargeable to tax at 20 percent (plus applicable surcharge and education cess). For this purpose, the amount of taxable capital gains is computed on the basis of indexed cost. Further, if the amount of tax on such capital gains, computed at 10 percent on the basis of actual cost as against indexed cost, is lower than the tax so computed at 20 percent, then such long term capital gains is chargeable to tax at 10 percent (plus applicable surcharge and education cess). In either case, no deduction under Chapter VI-A of the IT Act would be allowed from such long term capital gains subjected to tax under Section 112.
6. The Company is entitled to claim exemption in respect of tax on long term capital gains (other than those exempt under Section 10(38) of the IT Act) under Section 54EC of the IT Act, if the amount of capital gains is invested in certain specified bonds within six months from the date of transfer, subject to the fulfillment of the conditions specified therein. The maximum amount of investment in the above bonds in a financial year is ₹ 50 Lacs. However, according to Section 54EC (2) of the IT Act, if the Company transfers or converts the notified bonds into money (which includes any loan or advance taken on the security of such notified bonds) within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the previous year in which such bonds are transferred or otherwise converted into money.
7. The characterization of the gains/losses, arising from sale of shares, as capital gains or business income in the hands of the Company would depend on the nature of holding and various other factors. In case the income of the Company from transfer of shares is treated as business income then the income

would be computed under the head profit and gains from business / profession and the provisions of the IT Act would apply accordingly. Further, the amount of STT paid by the Company in respect of the taxable securities transactions entered into the course of its business would be eligible for deduction as per section 36(1)(xv) of the IT Act.

8. The Company can claim depreciation allowance under section 32 of the IT Act at the prescribed rates on tangible assets such as building, plant and machinery, furniture and fixtures, etc. and intangible assets, acquired after 31 March 1998, such as patent, trademark, copyright, know-how, licenses, etc. Unabsorbed depreciation if any, can be carried forward and set off against any source of income in subsequent years in accordance with the provisions of the IT Act.
9. Under Section 72 of the IT Act, unabsorbed business losses, if any, can be carried forward and set off against business profits for subsequent years (up to 8 years) subject to the conditions specified therein. However, in order to carry forward such unabsorbed business loss, the return of income is required to be filed within the time allowed under section 139(1) of the IT Act.
10. Under Section 74 of the IT Act, unabsorbed loss, if any, under the head “Capital gains”, can be carried forward and set off in the specified manner against the capital gains for subsequent years (up to 8 years) subject to the conditions specified therein. However, in order to carry forward such loss under the head “Capital Gains”, the return of income is required to be filed within the time allowed under section 139(1) of the IT Act.
11. The Company is entitled to deduction under Section 80G of the IT Act in respect of amounts contributed as donations to various charitable institutions and funds covered under that section, subject to fulfillment of conditions specified therein.
12. As per the provisions of section 35D of the Act, the Company will be entitled to a deduction in respect specified preliminary expenditure, subject to stipulated limits, incurred in connection with the extension of its undertakings or in connection with setting up a new unit by way of amortization over a period of 5 successive years.
13. As per the provisions of section 35DD of the Act, the Company will be entitled to a deduction in respect of expenditure incurred in connection with amalgamation / demerger of an undertaking by way of amortization over a period of 5 successive years.
14. As per the provisions of section 35DDA of the Act, the Company will be entitled to a deduction in respect of payments made to its employees in connection with their voluntary retirement in accordance with any voluntary retirement schemes, subject to fulfillment of stipulated conditions, by way of amortization over a period of 5 successive years.
15. If the Company is required to pay Minimum Alternate Tax (“MAT”) on book profits under section 115JB of the IT Act, then the difference between the MAT paid and the tax payable on the total taxable income (computed as per the normal provisions of the IT Act) for that year is allowed to be carried forward. The Company is entitled to carry forward such credit and set off the same in subsequent years to the extent the amount of tax payable on the total taxable income (computed as per the normal provisions of the IT Act) is higher than the amount of MAT payable on book profits for that year. The carry forward of such credit is allowed for ten years from the year in which such credit becomes available.

II. General tax benefits available to shareholders of the Company under the IT Act

A. Resident Shareholders

1. Under section 10(34) of the Income-tax Act, 1961 (‘the IT Act’), any income by way of dividends referred to in Section 115-O paid by domestic companies is exempt from tax in the hands of recipient.

However, as per the provisions of section 14A of the IT Act read with Rule 8D of the Income-tax Rules, 1962 (“IT Rules”) the expenses incurred for earning such exempt dividend will not be allowed as deduction in the hands of the recipient. Further, as per provisions of section 94(7) of the IT Act, losses arising from sale/transfer of shares, where such shares were purchased within three months prior to record date and sold within three months from record date, will be disallowed to the extent such loss does not exceed the amount of such exempt dividend.

2. As per provisions of section 111A of the IT Act, in respect of short-term capital gains on sale of shares in a transaction carried out through a recognized stock exchange in India, and where such transaction is chargeable to securities transaction tax (“STT”), tax will be chargeable at 15 percent (plus applicable surcharge and education cess). However, no deduction under Chapter VI-A of the IT Act would be allowed from such short term capital gains subjected to tax under Section 111A. In other cases, where the transaction is not subjected to STT, the short term capital gains would be taxable as a part of the total income and the tax payable thereon would depend on the applicable income tax rates.
3. As per provisions of Section 10(38) of the IT Act, the long-term capital gains on sale of shares in a transaction carried out through a recognized stock exchange in India, and where such transaction is chargeable to STT, is exempt from tax. However, in case of a shareholder being a company liable to pay tax on book profits under section 115JB of the IT Act, such long term capital gain would be liable to tax under that section.
4. As per the provisions of section 112 of the IT Act, long term gains from the transfer of shares otherwise than as mentioned in point 3 above, is chargeable to tax at 20 percent (plus applicable surcharge and education cess). For this purpose, the amount of taxable capital gains is computed on the basis of indexed cost. Further, if the amount of tax on such capital gains, computed at 10 percent on the basis of actual cost as against indexed cost, is lower than the tax so computed at 20 percent, then such long term capital gains is chargeable to tax at 10 percent (plus applicable surcharge and education cess). In either case, no deduction under Chapter VI-A of the IT Act would be allowed from such long term capital gains subjected to tax under Section 112.
5. A shareholder of the Company will be entitled to claim exemption in respect of tax on long term capital gains (other than those exempt under Section 10(38) of the IT Act) under Section 54EC of the IT Act, if the amount of capital gains is invested in certain specified bonds within six months from the date of transfer, subject to the fulfillment of the conditions specified therein. The maximum amount of investment in the above bonds by any shareholder in a financial year is ₹ 50 lacs. However, according to Section 54EC (2) of the IT Act, if the said bonds are transferred or otherwise converted into money (which includes any loan or advance taken on the security of such notified bonds) within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such bonds are transferred or otherwise converted into money.
6. Shareholders who are individuals or Hindu undivided families can avail of an exemption in respect of long term capital gain under Section 54F of the IT Act by utilization of the net sales consideration arising from the sale of the Company’s share held for a period of more than 12 months [which is not exempt under Section 10(38)], for purchase / construction of a residential house (“new asset”) within the specified time period and subject to the fulfillment of the conditions specified therein which also includes conditions to be satisfied post acquisition of a new asset.
7. The characterization of the gains/losses, arising from sale of shares, as capital gains or business income in the hands of a shareholder would depend on the nature of holding and various other factors. In case the income of the shareholder from transfer of shares is treated as business income then the income would be computed under the head profit and gains from business / profession and the provisions of the IT Act would apply accordingly. Further, the amount of STT paid by the shareholder in respect of the taxable securities transactions entered into the course of his business would be eligible for deduction as per section 36(1)(XV) of the IT Act.

8. Under Section 74 of the IT Act, unabsorbed loss, if any, under the head “Capital gains” can be carried forward and set off in the specified manner against the capital gains for subsequent years (up to 8 years) subject to the conditions specified therein. However, in order to carry forward such loss under the head “Capital Gains”, the return of income is required to be filed within the time allowed under section 139(1) of the IT Act.
9. Under Section 10(32) of the IT Act, any income of minor children clubbed with the total income of the parent under Section 64(1A) of the IT Act, will be exempt from tax to the extent of ₹ 1,500 per minor child whose income is so included.

B. Non Resident Shareholders

B. 1 Non-resident shareholders – other than Foreign Institutional Investors and Non Resident Indians

1. Under section 10(34) of the Income-tax Act, 1961 (‘the IT Act’), any income by way of dividends referred to in Section 115-O paid by domestic companies is exempt from tax in the hands of recipient. However, as per the provisions of section 14A of the IT Act read with Rule 8D of the Income-tax Rules, 1962 (“IT Rules”) the expenses incurred for earning such exempt dividend will not be allowed as deduction in the hands of the recipient. Further, as per provisions of section 94(7) of the IT Act, losses arising from sale/transfer of shares, where such shares were purchased within three months prior to record date and sold within three months from record date, will be disallowed to the extent such loss does not exceed the amount of such exempt dividend.
2. As per provisions of section 111A of the IT Act, in respect of short-term capital gains on sale of shares in a transaction carried out through a recognized stock exchange in India, and where such transaction is chargeable to securities transaction tax (“STT”), tax will be chargeable at 15 percent (plus applicable surcharge and education cess). However, no deduction under Chapter VI-A of the IT Act would be allowed from such short term capital gains subjected to tax under Section 111A. In other cases, where the transaction is not subjected to STT, the short term capital gains would be taxable as a part of the total income and the tax payable thereon would depend on the applicable income tax rates.
3. As per provisions of Section 10(38) of the IT Act, the long-term capital gains on sale of shares in a transaction carried out through a recognized stock exchange in India, and where such transaction is chargeable to STT, is exempt from tax. However, in case of a shareholder being a company liable to pay tax on book profits under section 115JB of the IT Act, such long term capital gain would be liable to tax under that section.
4. As per the provisions of section 112 of the IT Act, long term gains from the transfer of shares otherwise than as mentioned in point 3 above, is chargeable to tax at 20 percent (plus applicable surcharge and education cess). For this purpose, the amount of taxable capital gains is computed on the basis of indexed cost. Further, if the amount of tax on such capital gains, computed at 10 percent on the basis of actual cost as against indexed cost, is lower than the tax so computed at 20 percent, then such long term capital gains is chargeable to tax at 10 percent (plus applicable surcharge and education cess). In either case, no deduction under Chapter VI-A of the IT Act would be allowed from such long term capital gains subjected to tax under Section 112.
5. A shareholder of the Company will be entitled to claim exemption in respect of tax on long term capital gains (other than those exempt under Section 10(38) of the IT Act) under Section 54EC of the IT Act, if the amount of capital gains is invested in certain specified bonds within six months from the date of transfer, subject to the fulfillment of the conditions specified therein. The maximum amount of investment in the above bonds by any shareholder in a financial year is ₹ 50 lacs. However, according to Section 54EC (2) of the IT Act, if the said bonds are transferred or otherwise converted into money (which includes any loan or advance taken on the security of such notified bonds) within a period of

three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such bonds are transferred or otherwise converted into money.

6. Shareholders who are individuals can avail of an exemption in respect of long term capital gain under Section 54F of the IT Act by utilization of the net sales consideration arising from the sale of the Company's share held for a period of more than 12 months [which is not exempt under Section 10(38)], for purchase / construction of a residential house ("new asset") within the specified time period and subject to the fulfillment of the conditions specified therein which also includes conditions to be satisfied post acquisition of a new asset.
7. The characterization of the gains/losses, arising from sale of shares, as capital gains or business income in the hands of the shareholder would depend on the nature of holding and various other factors. In case the income of the shareholder from transfer of shares is treated as business income then the income would be computed under the head profit and gains from business / profession and the provisions of the IT Act would apply accordingly. Further, the amount of STT paid by the shareholder in respect of the taxable securities transactions entered into the course of his business would be eligible for deduction as per section 36(1)(XV) of the IT Act.
8. Under Section 74 of the IT Act, unabsorbed loss, if any, under the head "Capital gains" can be carried forward and set off in the specified manner against the capital gains for subsequent years (up to 8 years) subject to the conditions specified therein. However, in order to carry forward such loss under the head "Capital Gains", the return of income is required to be filed within the time allowed under section 139(1) of the IT Act.
9. Under the provisions of Section 90(2) of the IT Act, if the provisions of the DTAA between India and any specified territory / country of residence of the non-resident are more beneficial to the nonresident, then the provisions of the DTAA shall be applicable provided the non-resident is the tax resident of that country and fulfills the other conditions specified in DTAA.

B.2 Foreign Institutional Investors

1. Under section 10(34) of the Income-tax Act, 1961 ('the IT Act'), any income by way of dividends referred to in Section 115-O paid by domestic companies is exempt from tax in the hands of recipient. However, as per the provisions of section 14A of the IT Act read with Rule 8D of the Income-tax Rules, 1962 ("IT Rules") the expenses incurred for earning such exempt dividend will not be allowed as deduction in the hands of the recipient. Further, as per provisions of section 94(7) of the IT Act, losses arising from sale/transfer of shares, where such shares were purchased within three months prior to record date and sold within three months from record date, will be disallowed to the extent such loss does not exceed the amount of such exempt dividend.
2. The characterization of the gains/losses, arising from sale of shares, as capital gains or business income in the hands of a shareholder would depend on the nature of holding and various other factors. In case the income of the shareholder from transfer of shares is treated as business income then the income would be computed under the head profit and gains from business / profession and the provisions of the IT Act would apply accordingly. Further, the amount of STT paid by the shareholder in respect of the taxable securities transactions entered into the course of its business would be eligible for deduction as per section 36(1)(XV) of the IT Act.
3. As per provisions of section 115AD of the IT Act, in respect of short-term capital gains on sale of shares in a transaction carried out through a recognized stock exchange in India, and where such transaction is chargeable to securities transaction tax ("STT"), tax will be chargeable at 15 percent (plus applicable surcharge and education cess). However, no deduction under Chapter VI-A of the IT Act would be allowed from such short term capital gains subjected to tax under Section 115AD. In other cases, where the transaction is not subjected to STT, the short term capital gains would be

taxable at 30 percent (plus applicable surcharge and education cess).

4. As per provisions of Section 10(38) of the IT Act, the long-term capital gains on sale of shares in a transaction carried out through a recognized stock exchange in India, and where such transaction is chargeable to STT, is exempt from tax. However, in case of a shareholder being a company having a permanent establishment in India and liable to pay tax on book profits under section 115JB of the IT Act, such long term capital gain would be liable to tax under that section.
5. As per the provisions of Section 115AD of the IT Act, long term gains accruing to the shareholders of the Company being Foreign Institutional Investors (“FII’s”) from the transfer of shares of the Company listed on recognized stock exchanges, otherwise than as mentioned in point 4 above, are chargeable to tax at 10 percent (plus applicable surcharge and education cess). Adjustment with respect to fluctuation in foreign exchange rate would be available. However, no deduction under Chapter VIA of the IT Act would be allowed from such short term capital gains subjected to tax under Section 115AD.
6. A shareholder of the Company will be entitled to claim exemption in respect of tax on long term capital gains (other than those exempt under Section 10(38) of the IT Act) under Section 54EC of the IT Act, if the amount of capital gains is invested in certain specified bonds within six months from the date of transfer, subject to the fulfillment of the conditions specified therein. The maximum amount of investment in the above bonds by any shareholder in a financial year is ₹ 50 lacs. However, according to Section 54EC (2) of the IT Act, if the said bonds are transferred or otherwise converted into money (which includes any loan or advance taken on the security of such notified bonds) within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such bonds are transferred or otherwise converted into money.
7. Under Section 74 of the IT Act, unabsorbed loss, if any, under the head “Capital gains” can be carried forward and set off in the specified manner against the capital gains for subsequent years (up to 8 years) subject to the conditions specified therein. However, in order to carry forward such loss under the head “Capital Gains”, the return of income is required to be filed within the time allowed under section 139(1) of the IT Act.
8. Under the provisions of Section 90(2) of the IT Act, if the provisions of the DTAA between India and any specified territory / country of residence of the non-resident are more beneficial to the nonresident, then the provisions of the DTAA shall be applicable provided the non-resident is the tax resident of that country and fulfills the other conditions specified in DTAA.

B.3 Non-Resident Indians

1. Under section 10(34) of the Income-tax Act, 1961 (‘the IT Act’), any income by way of dividends referred to in Section 115-O paid by domestic companies is exempt from tax in the hands of recipient. However, as per the provisions of section 14A of the IT Act read with Rule 8D of the Income-tax Rules, 1962 (“IT Rules”) the expenses incurred for earning such exempt dividend will not be allowed as deduction in the hands of the recipient. Further, as per provisions of section 94(7) of the IT Act, losses arising from sale/transfer of shares, where such shares were purchased within three months prior to record date and sold within three months from record date, will be disallowed to the extent such loss does not exceed the amount of such exempt dividend.
2. As per provisions of section 111A of the IT Act, in respect of short-term capital gains on sale of shares in a transaction carried out through a recognized stock exchange in India, and where such transaction is chargeable to securities transaction tax (“STT”), tax will be chargeable at 15 percent (plus applicable education cess). However, no deduction under Chapter VI-A of the IT Act would be allowed from such short term capital gains subjected to tax under Section 111A. In other cases, where the transaction is not subjected to STT, the short term capital gains would be taxable as a part of the total income and the tax payable thereon would depend on the applicable income tax rates.

3. As per provisions of Section 10(38) of the IT Act, the long-term capital gains on sale of shares in a transaction carried out through a recognized stock exchange in India, and where such transaction is chargeable to STT, is exempt from tax.
4. As per the provisions of section 115E of the IT Act, long term gains from the transfer of shares acquired or purchased or subscribed in foreign currency, otherwise than as mentioned in point 3 above, is chargeable to tax at 10 percent (plus applicable education cess). However, no deduction under Chapter VI-A of the IT Act would be allowed from such long term capital gains subjected to tax under Section 115E.
5. A shareholder of the Company is entitled to claim exemption in respect of tax on long term capital gains (other than those exempt under Section 10(38) of the IT Act) under Section 54EC of the IT Act, if the amount of capital gains is invested in certain specified bonds within six months from the date of transfer, subject to the fulfillment of the conditions specified therein. The maximum amount of investment in the above bonds by the shareholder in a financial year is ₹ 50 lacs. However, according to Section 54EC (2) of the IT Act, if the shareholder transfers or converts the notified bonds into money (which includes any loan or advance taken on the security of such notified bonds) within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the previous year in which such bonds are transferred or otherwise converted into money.
6. Non-resident Indian Shareholders can avail of an exemption in respect of long term capital gain under Section 54F of the IT Act by utilization of the net sales consideration arising from the sale of the Company's share held for a period of more than 12 months [which is not exempt under Section 10(38)], for purchase / construction of a residential house ("new asset") within the specified time period and subject to the fulfillment of the conditions specified therein which also includes conditions to be satisfied post acquisition of a new asset.
7. As per provisions of section 115F, a non-resident Indian Shareholder can avail of an exemption in respect of long term capital gain arising from the transfer of shares acquired or purchased or subscribed in foreign currency, otherwise than as mentioned in point 3 above, by investing the net sales consideration in any specified asset or in the savings certificates (both as defined in Chapter XXI-A of the IT Act) within the specified time period and subject to the fulfillment of the conditions specified therein.
8. The characterization of the gains/losses, arising from sale of shares, as capital gains or business income in the hands of a shareholder would depend on the nature of holding and various other factors. In case the income of the shareholder from transfer of shares is treated as business income then the income would be computed under the head profit and gains from business / profession and the provisions of the IT Act would apply accordingly. Further, the amount of STT paid by the shareholder in respect of the taxable securities transactions entered into the course of his business would be eligible for deduction as per section 36(1)(XV) of the IT Act.
9. Under Section 74 of the IT Act, unabsorbed loss, if any, under the head "Capital gains" can be carried forward and set off in the specified manner against the capital gains for subsequent years (up to 8 years) subject to the conditions specified therein. However, in order to carry forward such loss under the head "Capital Gains", the return of income is required to be filed within the time allowed under section 139(1) of the IT Act.
10. Under section 10(32) of the IT Act, any income of minor children clubbed with the total income of the parent under Section 64(1A) of the IT Act, will be exempt from tax to the extent of ₹ 1,500 per minor child whose income is so included.

11. As per the provisions of section 115G of the IT Act, it is not necessary for a non-resident Indian to furnish his return of income if –
 - a. his total income in respect of which he is assessable under this Act during the previous year consisted only of investment income or income by way of long-term capital gains or both; and
 - b. the tax deductible at source under the provisions of Chapter XVII-B has been deducted from such income.
12. As per the provisions of section 115H of the IT Act, in case a non-resident Indian shareholder becomes a resident in India, the provisions of the Chapter XII-A can continue to apply in relation to investment made when such shareholder was a non-resident Indian. In this regard, the non-resident Indian shareholder needs to furnish a declaration in writing to the Assessing Officer along with his return of income.
13. As per the provisions of section 115I, a non-resident Indian Shareholder may elect not to be governed by the special provisions of the Chapter XII-A of the IT Act and if such shareholder exercises such option, then the tax on total income will be charged in accordance with the other provisions of the IT Act.

III. Tax Benefits available to the shareholders under the Wealth-Tax Act, 1957

Shares of company held by the shareholder will not be treated as an asset within the meaning of Section 2(ea) of Wealth Tax Act, 1957. Hence, no Wealth Tax will be payable on the value of shares held by the shareholder of the Company.

IV. Tax Benefits available to Mutual Funds

As per the provisions of Section 10(23D) of the IT Act, any income of Mutual Funds registered under the SEBI Act, 1992 or regulations made there under, Mutual Funds set up by public sector banks or public financial institutions or authorised by the Reserve Bank of India would be exempt from income tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf. However, Mutual Funds will be liable to pay tax on income distributed to unit holders under Section 115R of the IT Act.

V. Tax Deduction at Source

No income-tax is deductible at source from income by way of capital gains under the present provisions of the IT Act, in case of residents. However, as per the provisions of section 195 of the IT Act, any income by way of capital gains [except the long-term capital gains exempt under section 10(38) of the IT Act], payable to non residents, may be covered by the provisions of withholding tax, subject to the provisions of the relevant DTAA with the country of residence of the non-resident provided the non-resident is the tax resident of that country and fulfills the other condition specified in DTAA. Accordingly, income tax may have to be deducted at source in the case of a non- resident shareholder at the rate under the domestic tax laws or under the DTAA, whichever is beneficial to the non-resident unless a lower withholding tax certificate is obtained by the non-resident from the Indian Tax authorities and the same is submitted to the Company.

Notes:

1. For the year ended 31st March 2012 viz. assessment year 2012-13:
 - a. In case of non-corporate tax payers, no surcharge is applicable and education cess is applicable @ 3 percent.
 - b. In case of domestic companies, surcharge is applicable @ 5 percent if total income is in excess of ₹ 100 lacs. Further, education cess is applicable @ 3 percent in all cases.

- c. In case of foreign companies, surcharge is applicable @ 2 percent if total income is in excess of ₹ 100 lacs, Further, education cess is applicable @ 3 percent in all cases.
2. All the above benefits are as per the Finance Act 2011. Many of these benefits are subject to the Company and the Shareholders complying with various conditions specified in the relevant tax laws.
 3. The above statement of possible tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or list of all potential tax consequences. This is not an opinion or assurance that the Company and/or shareholders will be eligible for any of the tax benefits.
 4. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Issue.
 5. In respect of non-residents, the tax rates and the consequent taxation, mentioned in this section shall be further subject to any benefits available under the, if any, between the Government of India and the Government of any specified territory / country in which the non-resident has fiscal domicile provided the non-resident is the tax resident of that country and fulfills the other condition specified in DTAA;



SECTION V – ABOUT US

INDUSTRY OVERVIEW

The information presented in this section has been obtained from publicly available documents from various sources, including officially prepared materials from the Government of India and its various ministries, industry websites and publicly available industry reports. Industry websites and publications generally state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry, market and government data used in this Letter of Offer is reliable, it has not been independently verified.

Accordingly, our Company and the Lead Manager do not take any responsibility for the data, projections, forecasts, conclusions or any other information contained in this section. Certain information contained herein pertaining to prior years is presented in the form of estimates as they appear in the respective reports/ source documents. The actual data for those years may vary significantly and materially from the estimates so contained.

Overview

The automobile industry largely comprises two wheeler, three wheeler and four wheeler vehicles. Four wheelers may be further segmented into passenger cars, utility vehicles (UV), commercial vehicles (CV) and tractors. The manufacturers of these vehicles are often referred to Original Equipment (Vehicle) Manufacturers (OEM). The OEMs are responsible for providing the final shape to vehicles and making it viable for use. Initially, the OEMs manufactured vehicles from scratch i.e. including the components that are assembled to form a vehicle. Over the years, the same model proved uneconomical for OEMs and hence the manufacturing of auto components was outsourced by them to companies that focused purely on manufacturing of automotive components. Since then, the performance of auto components industry has been directly related to the OEMs preferences and sourcing patterns. Today, the auto components industry is segmented into Drive Transmission and steering parts, Engine parts, Suspension and braking parts, Equipment, Electrical Parts, Chassis and other interior / exterior components.

The Global Automobile Industry

The automotive industry worldwide is highly capital intensive in nature. Although the major volume producers are based out of relatively smaller number of countries, their manufacturing facilities are spread out in many other countries around the world. The countries in the west have traditionally housed the major manufacturers but recently the Asia Pacific region has generated major growth in the world automobile industry, as depicted by the table below. Existing global auto majors are re-aligning their production bases and coming closer to the Asia Pacific region. Also, constant pressure for cost reduction on OEMs is compelling them to outsource more and more components from low cost countries.

Total Vehicle Production in 2010

Country	Cars	Commercial Vehicles	Total	% Change
Argentina	508,401	208,139	716,540	39.70
Australia	205,334	38,161	243,495	7.10
Austria	86,183	18,814	104,814	45.20
Belgium	528,996	26,306	338,290	3.30
Brazil	2,828,273	820,085	3,648,358	14.60
Canada	968,860	1,102,166	2,071,026	39.00
China	13,897,083	4,367,584	18,264,667	32.40
Czech Republic	1,069,518	6,867	1,076,385	9.50
Egypt	92,249	32,090	69,060	0
Finland	6,385	280	6,500	-39.20
France	1,924,171	305,250	2,227,742	8.90



Country	Cars	Commercial Vehicles	Total	% Change
Germany	5,552,409	353,576	5,905,985	13.40
Hungary	165,000	2,890	167,890	58.60
India	2,814,584	722,199	3,536,783	33.90
Indonesia	496,524	205,984	704,715	51.10
Iran	1,367,014	232,440	1,599,454	14.70
Italy	573,169	265,231	857,359	-0.60
Japan	8,307,382	1,318,558	9,625,940	21.30
Malaysia	522,568	45,147	567,715	16.00
Mexico	1,390,163	954,961	2,345,124	50.20
Netherlands	48,025	46,081	94,106	22.60
Poland	785,000	84,376	869,376	-1.10
Portugal	114,563	44,160	158,723	26.00
Romania	323,587	27,325	350,912	18.40
Russia	1,208,362	194,882	1,403,244	93.50
Serbia	17,384	649	6,470	79.00
Slovakia	556,941	-	556,941	20.70
Slovenia	201,039	10,301	205,711	-0.70
South Africa	295,394	176,655	472,049	26.20
South Korea	3,866,206	405,735	4,271,941	21.60
Spain	1,913,513	474,387	2,387,900	10.00
Sweden	177,084	40,000	217,084	38.80
Taiwan	251,490	51,966	303,456	34.10
Thailand	554,387	1,090,126	1,644,513	64.60
Turkey	603,394	491,163	1,094,557	25.90
Ukraine	75,261	7,872	83,133	20.00
UK	1,270,444	123,019	1,393,463	27.80
USA	2,731,105	5,030,335	7,761,443	35.40
Uzbekistan	130,400	26,480	156,880	33.10
Supplementary	367,587	98,319	329,289	55.30
Total	58,478,810	19,378,895	77,857,705	26.00

Source: Production Statistics of Organisation Internationale des Constructeurs d'Automobiles (OICA)

The Indian Automobile Industry

The Indian automobile market can be divided into 2 broad segments – passenger vehicles and commercial vehicles. The Indian passenger vehicles sector is the 7th largest in the world with a compounded annual growth rate of 14.09% over the last 5 years from FY 2006-07 to FY 2010-11. The commercial vehicle sector is also the 7th largest market in the world with a compounded annual growth rate of 7.68% over the last 5 years from FY 2006-07 to FY 2010-11. The projected growth rate for FY 2011-12 in both these categories is around 16-18%. (Source: www.wikipedia.org)

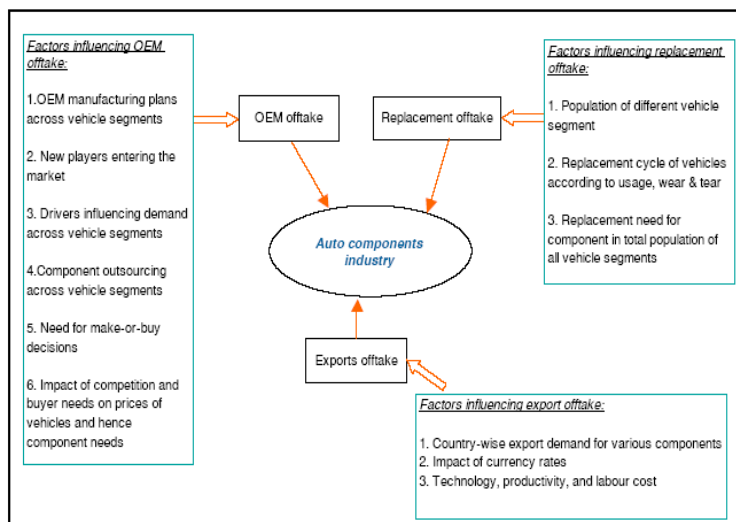
Category	Automobile Production Trends					Number of vehicles	
	2006-07	2007-08	2008-09	2009-10	2010-11		
Passenger Vehicles	1,545,223	1,777,583	1,838,593	2,357,411	2,987,296		
Commercial Vehicles	519,982	549,006	416,870	567,556	752,735		
Three Wheelers	556,126	500,660	497,020	619,194	799,553		
Two Wheelers	8,466,666	8,026,681	8,419,792	10,512,903	13,376,451		
Grand Total	11,087,997	10,853,930	11,172,275	14,057,064	17,916,035		

Source: SIAM

Industry framework of the Indian Auto Component industry

While OEM offtake continues to make up the largest share of auto components demand, exports are increasingly gaining importance. Going ahead, cars and utility vehicles (UVs) are expected to drive demand for the OEM segment. The proportion of cars and UVs and two-wheelers procuring auto components from component manufacturers is relatively high vis-à-vis other segments. While this phenomenon could be partly attributed to design orientation, it is observed that there is a rising trend

towards outsourcing the manufacturing of components rather than producing them in-house. The framework for evaluating various factors is presented in the chart depicted below.



Size of the industry

The Indian auto component industry recorded its highest year-on-year (y-o-y) growth of 34.2 per cent in 2010-11, raking in revenue of US\$ 39.9 billion; major contribution coming from exports at US\$ 5 billion and fresh investment from the US at around US\$ 2 billion.

The turnover of the auto component industry stood at ₹ 182,127 crores (USD 39.9 billion) for the period April 2010 to March 2011, registering a growth of 34 per cent (in rupee terms) over the previous year. This data represents the entire supplies from the auto component industry to the on-road and off-road vehicle manufacturers and the aftermarket in India and overseas from ACMA member and non-member companies, including component suppliers captive to the OEMs and the unorganized & smaller players. (Source: www.acmainfo.com/docmgr/Press_Releases/2011-12_Press_Release.doc)

The Indian auto components industry witnessed a moderation in revenue growth in first quarter of FY 2011-12, with growth having reduced to low single digits on quarter-on-quarter basis; although revenue growth continued to be in double digits on YoY basis. There was a wide variance in the performance of individual companies with revenue growth being relatively higher for companies dependent on the domestic two-wheeler (2W) and Light Commercial Vehicle (LCV) segments; and growth being lower/negative for companies dependent on the Passenger vehicle (PV) and Medium & Heavy Commercial Vehicle (M&HCV) segments. This broadly mirrors the trend in sales volumes seen in the respective automobile segments in Q1, 2011-12. (Source: Industry reports)

Sales Units (Nos.)	2007-08	2008-09	2009-10	2010-11	Q1, 2011-12	4m, 2011-12	2011-12E	2011-16E (CAGR)
PV	1,766,390	1,888,432	2,395,922	2,973,900	723,320	955,818	5-7%	~11%
Growth	12%	7%	27%	24%	9%	6%		
M&HCV	293,094	200,406	265,481	352,060	81,503	110,962	6%	9.5-11.5%
Growth	0%	-32%	32%	33%	6%	7%		
LCV	252,722	226,389	310,921	400,645	111,082	153,363	14%	10-13%
Growth	13%	-10%	37%	29%	25%	28%		
2W	8,068,447	8,441,793	10,511,415	13,329,895	3,692,658	4,925,534	13%	10-12%
Growth	-5%	5%	25%	27%	18%	17%		

Source: Industry reports

Auto component consumption in 2010-11, in tandem with the significant growth in the vehicle sales in the domestic market grew at a robust pace. However, in the current fiscal, with business sentiment in the vehicle industry moderating, the auto component industry is expected to grow in the range of 12-15%.

Industry Snapshot for last 5 years

	2006-07	2007-08	2008-09	2009-10	2010-11
Turnover (USD Bln)	22.9	26.5	23.0	30.1	39.9
Turnover (₹ Crs.)	104,000	106,400	105,700	135,700	182,100
Growth rate (%)	24	2.3	-0.7	28.4	34.2
Export (USD Bln)	3.1	3.8	4.0	3.4	5.2
Growth rate (%)	17.6	19.4	6.4	-15.5	54
Imports (USD Bln)	3.9	6.2	6.8	6.5	8.5
Growth rate (%)	28.8	61.4	9.6	- 4.2	30.2
Investment (USD Bln)	1	1.8	0.1	1.7	2-2.25

Note: Turnover data represents the entire supplies from the auto component industry to the on-road and off-road vehicle manufacturers and the aftermarket in India and overseas from ACMA member and non-member companies, including component suppliers' captive to the OEMs and the unorganized & smaller players.

Source: ACMA

Exports

The Exports of auto components grew to USD 5.2 billion from USD 3.4 billion in 2009-10. Europe accounted for 36% of exports followed by Asia and North America at 28% and 23% respectively. Although the proportion of exports to Europe declined from 40% last year to 36%, however in absolute terms the exports grew by 46%. Exports to North America and Asia grew by 65% and 48% respectively. With exports to North America, Europe Asia and other parts of the world are improving, a full recovery of exports are expected to gain strength in 2011-12.

(Source: www.acmainfo.com/docmgr/Press_Releases/2011-12_Press_Release.doc)

Imports

With growth in the domestic market, imports of auto components also grew by 30% to USD 8.5 billion from USD 6.5 billion in 2009-10; almost 85% of the imports were accounted for by the OEMs, the rest 15% by the aftermarket. Asia and Europe contributed to over 56% and over 35% of the imports respectively. Within Asia, China, South Korea and Thailand contributed to the maximum imports to India while from Europe the key contributors were Germany, Italy and Czech Republic. The quantum of imports has also increased due to several FTAs and other trade agreements signed by the Government.

(Source: www.acmainfo.com/docmgr/Press_Releases/2011-12_Press_Release.doc)

Capacity addition

The auto component industry added capacity in the range of USD 2 -2.25 billion in 2010-11 in several green-field as well as expansion projects. The cumulative investment (gross-block) in the auto component sector in India over the last five years stood at over USD 6.5 billion. The industry is expected to add at least another similar number in capacity addition 2011-12.

(Source: www.acmainfo.com/docmgr/Press_Releases/2011-12_Press_Release.doc)

A review of demand in the auto component industry

The demand for auto components has largely remained dependent on automobile production. However, with the share of auto component exports having grown to 54 per cent in FY 2010-11 from 17.6 per cent in FY 2006-07, the dependence of this sector's growth rates on domestic vehicle production will decline further.

The industry is estimated to derive 67 per cent of production demand from automobile OEMs, 13 per cent from the replacement market, and 20 per cent from exports, in 2006-07. With the rupee's appreciation against the dollar, while export production grew at 25 per cent, the OEM and replacement demand continued to support an overall growth of 30 per cent in auto components production.

Current growth rates across Auto Component Segments

(Unit in Nos.)

Category Segment/ Sub-segment	Domestic			Exports			Sales (Domestic + Exports)		
	April-July			April-July			April-July		
	2009-10	2010-11	Growth	2009-10	2010-11	Growth	2009-10	2010-11	Growth
Passenger Vehicles (PVs)	682,287	898,429	32%	131,308	143,136	9%	696,890	899,795	29%
M&HCVs	57,324	105,446	84%	5,329	7,492	41%	60,318	103,276	71%
LCVs	88,484	118,484	34%	4,858	12,404	155%	84,316	117,976	40%
Commercial Vehicles (CVs)	145,808	223,930	54%	10,187	19,896	95%	144,634	221,252	53%
Three Wheelers	162,721	234,581	44%	37,044	89,637	142%	164,517	240,163	46%
Two wheelers	3,209,740	4,213,454	31%	327,381	528,794	62%	3,182,891	4,192,634	32%
Grand Total	4,200,556	5,570,394	33%	505,920	781,463	54%	4,188,932	5,553,844	33%

Source: ACMA

Expected growth in automobile production

Growth in various vehicle segments translates into an overall growth in automobile production in volume terms. The outlook for FY 2011-12 based on the estimates of SIAM are as under:

Segment	FY 2011-12E
Cars	2-4%
UVs	9-11%
Vans	13-15%
PV Total	4-6%
LCV Goods	20-23%
M & HCV	5-7%
Passenger Buses	4-6%
Total CV	13-15%
2 Wheelers	13-15%
3 Wheeler Goods	9-11%
3 Wheeler Passenger	3-6%
3 Wheeler Total	4-6%
Auto Total	11-14%

Source: SIAM October 2011 estimates

Revenue Growth; Global factors and Domestic concerns

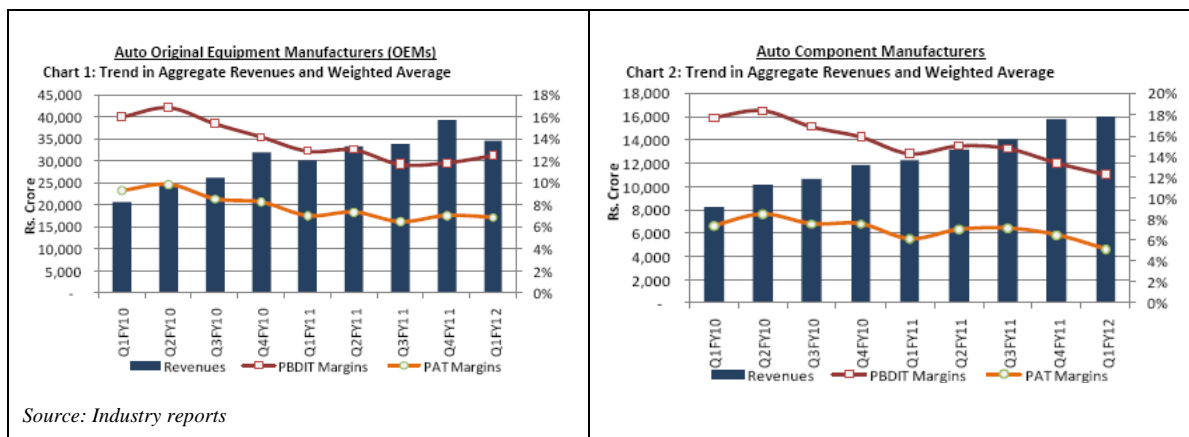
The Indian auto components industry witnessed a subdued revenue growth in Q1, FY 2011-12 due to various reasons such as (a) the significantly high volume growth experienced in Q4, FY 2010-11 causing build-up of inventory in the OEMs' distribution channel that took time to revert to normalized levels in the following month but in the interim meant lower production by OEMs (the inventory level of dealers (particularly in the PV segment) as on March 31, 2011 was significantly high vis-à-vis historical levels); (b) the natural calamity in Japan in March 2011 which disrupted the domestic industry's supply chain to a certain degree; (c) production disruptions with key OEMs due to labour issues. These factors apart, the other negative factors including rising inflation, interest rates, fuel prices and global macro-economic headwinds also appeared to culminate together and adversely influenced consumer sentiment and purchasing power.

Although the fundamental growth drivers of the Indian auto and auto components industry are intact with volume growth expected to be strong over the long term, the industry's growth prospects over the short term remain couched in uncertainty. Accordingly, the short term outlook for volume growth in the Indian automobile industry remains somber. While revenue growth of the auto components industry at large is expected to moderate over the short term, its impact on individual companies may be mixed depending on their revenue mix (OEMs/ Replacement Market), segment leaning (PV/CV/2W) and geographical diversification (domestic/ exports). Overall, auto component manufacturers who have (a) stronger presence in the replacement market, (b) lower dependence on interest rate sensitive automobile segments, and (c) geographically dispersed customer base, are likely to be better equipped to offset the expected moderation in business with domestic OEMs in FY 2011-12. (Source: Industry reports)

Raw material prices to play a major role

The price of key raw materials including steel, aluminium, copper, plastic and rubber used in automobiles has been on a rising curve since the beginning of FY 2008-09. Still, considering that average raw material prices in FY 2009-10 were lower than those prevailing in FY 2008-09, the profit margins of the auto and auto components industry had witnessed a healthy expansion in FY 2009-10, supported also by strong surge in sales volumes resulting in operating leverage benefits.

Although the buoyancy in automotive demand persisted in FY 2010-11, the profit margins of the industry could not hold up to the FY 2009-10 levels in the wake of continued firming up of raw material prices. Consequently, profit margins of both auto OEMs as well as auto component manufacturers generally declined during each quarter of 2010-11 on both YoY as well as QoQ basis.



Over the last five months, however, the upward movement in prices of key commodities has abated to a certain extent, a trend which if sustained, could cushion the margin erosion of auto OEMs; and in turn limit pricing pressure on auto component manufacturers from OEMs. Thus, in the likely scenario of revenue growth moderating in FY 2011-12, the stability or reversal of commodity price cycle could help alleviate overall margin pressures likely to emanate from lower volumes and lower capacity utilization on one hand and rising wages and interest costs on the other. Further, lower off-take by domestic OEMs may also allow auto component manufacturers to focus more on the domestic replacement market and pursue export opportunities, something which they could not do in 2010-11 in view of strong demand from domestic auto OEMs. In the process, such players should be able to partially neutralize lower OEM sales as well as earn superior margins.

Capital expenditure plans in the Industry

There seem to be no signs of deferral yet related to new product launch schedules of automotive OEMs. Accordingly, vendors selected by OEMs to supply components for their new models scheduled to be introduced over the next several quarters currently plan to incur all committed investments. However, since there is a certain degree of skepticism arising from possible dampening of end-customer sentiments due to the macro-economic environment, some vendors are contemplating reviewing their expansion plans for commissioning incremental capacity to cater to existing models as these may grow at a rate lower than initially envisaged. In any case, in the prevailing environment of expected moderation in domestic demand and rising interest rates, companies that plan to avail more debt may burden their balance sheets; on the contrary, companies having cash balances may find the same more valuable, not because of liquidity concerns in the banking system, but due to their effectively lower cost of funds.

Recent industry developments

i. Comprehensive Economic Partnership Agreement (CEPA) between India and Japan becomes effective from August 1, 2011

The CEPA between India and Japan became effective from August 1, 2011. This agreement is aimed at promoting liberalization of trade in goods and services between India and Japan, enhancing bilateral economic partnership and strengthening cooperation in various areas including movement of professionals and intellectual property. Amongst other things, the pact seeks to abolish import duties on most products and liberalize investment rules.

While the Indian auto and auto components industry has been largely shielded from tariff cuts by their inclusion in the negative list of items, India has agreed to reduce tariffs on steel and certain auto parts made of steel. India's 10% tariff on Japanese-made bumpers, wheels and mufflers will be dropped in 11 years (According to the CEPA that India and South Korea signed in January 2010, many products will become tariff-free in eight years), while the 5% levy on hot-rolled and galvanized steel sheet will disappear in six years. The tariff on gear boxes and parts thereof will fall from 11.25% to 6.25% over eight years.

Implications on the domestic auto industry

- Indian auto OEMs are currently importing grades of high tensile steel (such as steel having tensile strength greater than 590MPa) from Japan which are used for manufacturing components for select applications such as suspension parts. The reduction in duty on such steel is expected to bring down the costs for auto OEMs, although its impact on auto component manufacturers (engaged in stamping of such steel grades) will be neutral.
- The various models of PV OEMs which have a high import content stand to benefit from the CEPA entailing reduction in duties on select few components in a phased manner.
- The various Free Trade Agreements (FTAs) and CEPAs entered into by India with other countries is expected to catalyse the import of auto components into India as many components may become more

cost effective to import following reduction of import duty. Overall, while FTAs may bring down the cost of certain raw materials and intermediate inputs for the Indian OEMs, the auto component industry's exposure to risks related to possible loss of business from OEMs and lower incremental capital assets creation is likely to remain.

ii. Withdrawal of the DEPB incentive scheme after September 30, 2011 could add to the woes of auto component exporters

The Duty Entitlement Passbook (DEPB) Scheme, which was earlier scheduled to be withdrawn after June 30, 2011, was extended by another three months by the Ministry of Finance and was scheduled to be replaced by a modified duty drawback scheme w.e.f. September 30, 2011. Under the DEPB scheme, which has been in operation for 14 years, exporters receive tradable scrips based on the FOB value of goods exported that could be used to pay import duties on inputs. The refund of taxes makes the exported products remain competitive in global markets and accordingly the withdrawal of this incentive may erode export profitability. The impact on profit margins of industry players may differ depending on the product category since applicable rates vary across product categories.

Outlook for the Industry

Rising interest rates & fuel prices and slowing industrial activity are likely to have a moderating impact on automobile demand (primarily PV and M&HCV segments) in the near term. The longer term demand drivers for the domestic market however remain intact and the auto components industry remains on track with its capacity expansion plans to meet the expected demand growth.

As the Indian component industry moves towards a more globalized environment, on the back of increased participation in the growth opportunities emanating from product plans of global OEMs, the industry faces heightened challenges in terms of dealing with lowering duty protections, foreign exchange fluctuations and vulnerability to demand slowdowns in international markets. Nevertheless, the overall benefits of bigger scale, deeper relationships with global OEMs, absorption of next generation technologies and exposure to international best practices are expected to be the key positive outcomes from the above supporting the growth process of the Indian auto components industry. *(Source: Industry reports)*



BUSINESS OVERVIEW

Overview

We are engaged in the manufacture and sale of forged and machined components in India, Europe and the United States. We manufacture auto, electrical, and transmission forged components for the original equipment manufacturers for automobiles. We also supply products to non-automotive segments like valve Industry and infrastructure equipment industry. We have three state-of-art manufacturing units one in Mysore and other two in Coimbatore.

Our Company has various divisions for forged products, viz., cold, hot and warm, and hot. We supply our products to all the reputed companies in India as well as select customers abroad.

Our Company was incorporated as a public limited company on June 7, 2006. In March 2008, as per the scheme of arrangement, the entire business and assets of forging unit of L.G.Balakrishnan & Bros Ltd was de-merged and transferred to our Company with effect from April 1, 2008.

From August 1, 2008, the Equity Shares of our company were listed on BSE and NSE.

For Fiscal Year 2010 and Fiscal Year 2011 our total income was ₹ 10,225.94 lacs and ₹ 12,755.26 lacs respectively. For the same periods our net loss after tax was ₹ 1,359.36 lacs and ₹ 862.31 lacs respectively.

Rationale for scheme of arrangement

Prior to the scheme of arrangement, L.G. Balakrishnan & Bros Limited was engaged in business areas of automotive & industrial transmission, forging and fine blanking, which in FY 2007-08 accounted for 55%, 15% and 18% of total revenue respectively. It was considered necessary to provide focused attention to each of the businesses which are distinct from each other. The said scheme was aimed at having administrative convenience of both the entities carrying out separate businesses.

The scheme was aimed at having following advantages to both the entities.

- Separate business would be carried out in independent entities.
- Enhanced management focus to the respective businesses to result in synergies of operations.
- Resultant structure to facilitate independent growth of the separate business.
- Scope for independent collaboration & expansion.

Salient Features of the scheme

1. L.G.Balakrishnan & Bros Limited (the transferor company) is having its registered office at 6/16/13, Krishnarayapuram Road, Ganapathy Post, Coimbatore – 641 006 (Tamil Nadu). The company was engaged in the business activities with its three divisions, viz. automotive & industrial transmission, forging and fine blanking.
2. The company had filed the Scheme of Arrangement before the Hon'ble High Court of Judicature at Madras, on March 31, 2008 for approval and the Hon'ble High Court of Madras, approved the Scheme vide its order dated April 21, 2008.
3. Pursuant to the Scheme of Arrangement, the entire Forging Division Business of the demerged company has been transferred to and vested in the Company with effect from April 1, 2008 (the Appointed Date) at book value on a going concern basis.
4. The Scheme of Arrangement became operational from the appointed date which is April 1, 2008.
5. Pursuant to the Scheme of Arrangement, the shareholders of L.G.Balakrishnan & Bros Limited whose



name appeared in the Register of Members of L.G.Balakrishnan & Bros Limited on the record Date fixed for the aforesaid purpose has received 1 (One) Equity Share of ₹1/- each of the Company for every 1 (One) Equity Shares of ₹1/- each held by such member in L.G.Balakrishnan & Bros Limited.

6. All employees of L.G.Balakrishnan & Bros Limited who are working exclusively for the Forging Division and such other employees of L.G.Balakrishnan & Bros Limited who were working for both L.G.Balakrishnan & Bros Limited and the Forging Division have been by mutual consent be transferred to the Company on the Effective Date on the terms and conditions not less favorable than those on which they were engaged in L.G.Balakrishnan & Bros Limited and without any interruption of service as a result of the demerger.
7. The entire business including all assets and liabilities pertaining to the Forging division of the transferor company as on the appointed date was transferred to and vested in the LGB Forge Limited, on a going concern basis.

Our Company issued and allotted equity shares to every member of L.G. Balakrishnan & Bros Limited whose name appeared in the register of members, on the record date, in the ratio of one (1) fully paid-up Equity Share of face value of ₹ 1/- (Rupee One only) each of LGB Forge for every one (1) fully paid-up equity share held in L.G. Balakrishnan & Bros Limited. Such shares ranked pari passu in all respects with the existing shares of the Company.

Accordingly the process of scheme of arrangement was completed as sanctioned by the Hon'ble High Court, Madras and the effective date for the scheme was April 1, 2008. The equity shares of our Company were listed on BSE and NSE w.e.f. August 1, 2008 on completion of all the process relating to the implementation of the said scheme of arrangement.

Products

Our Company manufactures various products under various categories namely –

a. Cold forging	Ball Pins, Ball Rods, Boss Rotor, Fuel Pump Components, Shaft, Pulley, Pleunger and two wheeler gear, Pinions, Sleeve and Sockets
b. Hot and warm forging	Bell, Body Starter Clutch, Tulip, Claw,
c. Hot forging	Spring Seedle Bottom, VWH Connecting Rod, Valve Bonnets, Brake Flange Forging, Rocker Arms, 11*24 Sonalika Pinion, 11*26 Differential Bevel Pinion, 11*16 Differential Bevel Pinion and Bucket Teeths

The above products manufactured by us usually belong to the Auto-Electricals category and Drive train category in Automotive Industry.

Facilities

Plant Location	Activities	Installed Capacity
Pillaippanpalayam Pillaippanpalayam Village Kumarapalayam Post, Coimbatore – 641 653	Hot & Warm Forging	3,000,000 Strokes
Kodayampalayam Pillayar Koil Street, Kottaipalayam Post Coimbatore – 641 110	Cold Forging	20,000,000 Strokes
Mysore Plot No.80 & 81, KRS Road, Metagalli Post Mysore – 570 016	Hot & Warm Forging	6,000,000 Strokes

Plant and Machinery

i. Forging

Sl. No.	Description/ Name of the Machine	Unit (in Nos.)
1	“Burnall” 400 Ton Knuckle Joint Press	4
2	“Burnall” 250 Ton Knuckle Joint Press	1
3	“Burnall” 1000 Ton Knuckle Joint Press	1
4	“Pressform” 600 ton Hydraulic Press	1
5	“Oriental” 300 Ton Hydraulic Press	1
6	“Sarab” 315 Ton Long Stroke Press	2
7	“Electropneumatic” 200 Ton Hydraulic Press	1
8	1600 Ton Smeral Press	3
9	1600 Ton Ching Fong Press	1
10	“Sket” 630 Ton Press	1
12	“National” 2000 Ton Press	1
13	“Varnozh” 2500 Ton Press	1
14	“HMT” 1000 Ton Coining Press	1

II Piercing

Sl. No.	Description/ Name of the Machine	Unit (in Nos.)
1	“Narendra” 160 Ton Mechanical Press	1
2	“Narendra” 63 Ton Mechanical Press	1
3	“Pressmaster” 63 ton Mechanical Press	1

III Machining

Sl. No.	Description/ Name of the Machine	Unit (in Nos.)
1	“LMW Smaturn” CNC Lathe	9
2	“Jobber XL” CNC Lathe	5
3	“LMW Pillatus” CNC Lathe	7
4	“ACE HUB” CNC Lathe	3
5	“Takisawa” CNC Lathe	2
6	“GEEDEE Weiler (Fanus)” CNC Lathe	15
7	“GEEDEE Weiler (Siemens) “ CNC Lathe	12
8	“ACE” CNC Lathe	12
9	“GEE DEE” CNC Lathe	14
10	“HMT” CNC Lathe	1
11	“LMW” CNC Lathe	1
12	“ACE” CNC Lathe	4

IV Heat Treatment

Sl. No.	Description/ Name of the Machine	Unit (in Nos.)
1	Inductotherm Induction Billet Heater	4
2	“Navalco” Heater	3
3	“Inductotherm Heater	2
4	Oil Fired Forging Furnace	8
5	Electric Continuous Furnace	1
6	Oil Fired Continued Furnace	1

V Forging – Hammer

Sl. No.	Description/ Name of the Machine	Unit (in Nos.)
1	“Rattan” 3 Ton Forging Hammer	1
2	“Massey” 2 Ton Forging Hammer	1
3	“Massey” 1.5 Ton Forging Hammer	1
4	“Massey” 1.25 Ton Forging Hammer	1
5	0.75 Ton Open Hammer Massey	1
6	0.75 Ton Open Hammer Beache	1
7	0.50 Ton Open Hammer	1

Processes and Products of Forging

Forging process is carried out in the form of Hot-forging, Warm forging and Cold forging. Supply of end product is made in forged, heat treated and partially or fully machined condition. Hot forging is the plastic deformation of metal at a temperature and strain rate such that re-crystallization occurs simultaneously with deformation, thus avoiding strain hardening. For this to occur, high work piece temperature (matching the metal's re-crystallization temperature) must be attained throughout the process. A form of hot forging is isothermal forging, where materials and dies are heated to the same temperature. In nearly all cases, isothermal forging is conducted on super alloys in a vacuum or highly controlled atmosphere to prevent oxidation.

Heat treatment changes the magnitude of forged products. It realigns the molecular structure of a weld, producing a more homogenous weld and heat affected zone. Preheating weld metals assists complete fusion during the welding process and reduces porosity as well as the potential for cracking. Post heating of a weld is utilized to improve machinability. It also provides corrosion resistance and reduces brittleness.

The heat treatment sections are equipped with electrically heated furnaces with temperature controllers and recorders for a range of heat treatments. Hardness, tensile, yield, elongation, breaking load etc. are tested after giving proper heat treatment. Quenching, tempering, hardening and normalizing are done to get the desired results as per customer's requirement.

Forgings in the finish turned condition are produced on a range of automatically loaded CNC machine tools. CNC machining is done on machines that are fast, repeatable and programmable, which can function while unattended, making it possible to manufacture parts quickly and efficiently..Capabilities offered by providers of CNC machine services include milling and turning machining. The milling machine is a very versatile machine capable of doing many machining operations. Turning is performed on a lathe. The lathe is used to perform several operations almost all of which involve the rotation of the piece part.

Raw Materials

The main raw material required for our business is steel bars of forging quality steel suitable for forging process. Our suppliers are TS16949 certified steel companies mainly located in Pune, Ludhiana, Salam, Jamshedpur Nagpur, Vizag, etc. Following are some of our major suppliers:

- M/s JSW Steels Limited , Salam District Tamil Nadu
- M/s.Usha Martin Limited, Jamshedpur
- M/s.Upper India Steels Limited, Ludhiana
- M/s. Vardhman Special Steels Limited, Ludhiana
- M/s Mukund Ltd – Kalva, District Thane, Maharashtra
- M/s Sunflag Iron Ltd – Bhandara, District Nagpur, Maharashtra
- M/s Visvesvaraya Iron & Steel Plant. Bhadravati (Karnataka)
- M/s. Rastria Ispat Nigam Limited, Vizag

Our present consumption of steel is about 10,800 MT p.a.



Technical and Financial Collaboration

We do not have any technical collaboration as the technical process for manufacturing forged products and machining of the same are established and proven process.

Infrastructure Facilities

Power

We have been sanctioned 5,100 KVA from Tamil Nadu Electricity Board (TNEB) and M/s. Chamundeshwari Electricity Supply Corporation Limited (CESC) for our 3 facilities. However to avoid any disruption in the power supply, our Company has already installed DG sets.

Fuel

Our Company mainly requires furnace oil and LDO for operating the heating furnace, tempering and hardening furnace and DG sets. The present monthly consumption of furnace oil and LDO is about 45,000 litres and about 20,000 litres respectively. The furnace oil and LDO are being supplied by IOC, HPCL and BPCL.

Water

Water is basically required for drinking and other domestic purpose. There is no difficulty in obtaining this because our units meet their water requirements from our own borewells. The water supply is regular and sufficient to meet our entire requirements.

Manpower

Our Company has adequate manpower at all levels at present and does not envisage any difficulty in getting the requisite personnel for our business operations at existing locations. Following are the details of our manpower:

Category	Pillaippanpalayam (Hot Forging)	Kondayampalayam (Cold Forging)	Mysore (Hot Forging)	Total
Top Management	1	1	1	3
Managerial & Supervisory Staff	36	55	57	148
Office Staff	11	15	13	39
Skilled Workers	50	65	84	199
Unskilled Workers	61	89	69	219
Total	159	225	224	608

Effluent Treatment and Disposal

Our Company does not generate any industrial effluents which is hazardous to the environment. The waste produced during the forging and machining operations comprised of steel scrap which is re-used or recycled. We have received consent from KSPCB for our Mysore plant for disposal and treatment of waste, and further have applied with TNPCB for our other two plants, the details of which as under:

Sl No	Plant Location	Authority	Valid upto
1	Mysore Plant Plot No.80 & 81, KRS Road, Metagalli Post Mysore – 570 016	KSPCB	NO.119/KSPCB/ RO (MYS) /EO /DEO-2/F-REG-172/ MR/ 2010-11/882 dated February 1, 2010. The consent is granted for the period from July 1, 2010 to June 30, 2012



Sl No	Plant Location	Authority	Valid upto
2	Kondayampalayam Plant Pillayar Koil Street, Kottaipalayam Post Coimbatore – 641 110	Tamil Nadu State Pollution Control Board	Order No.DEE / CDE / W-012 dated 18.05.2007 Consent under the Water (P&CP) Act, 1974 as amended & Air (P &CP) Act, 1981. Validity: 31.03.2010 Renewal application made vide letter no. LGBF/HR/PCB/2010 dated February 25, 2010
3	Pillaippanpalayam Plant Pillaippanpalayam Village Kumarapalayam Post, Coimbatore – 641 653	Tamil Nadu State Pollution Control Board	No.21358 / 20.02.2008 & order No.17395 dated 20.02.2008 Consent under the Water (P&CP) Act, 1974 as amended & Air (P &CP) Act, 1981. Validity: 31.03.2011 Renewal application made vide letter no. LGBF/HR/PCB/2011 dated April 7, 2011

Environmental Clearance

We have got all the necessary approvals from the local authorities to operate our business.

Market Overview

Our Company's main activities comprised of fully heat treated closed die steel forgings that can be converted into machined components ready to assemble for passenger cars and trucks, high pressure fluid application, material handling and other general engineering industries. We also make Cold Fording for auto electrical & steering system parts.

Our company is a globally recognized supplier which operates in a niche segment consisting of various alternator parts & outer race (CV Joint Part). Other products like pinion for starter motors and ball pin and ball rods for steering system, hubs etc manufactured by our Company, find application in the automobile industry and in the non –automotive industry .

The manufacturing of automobiles in India has been growing at a robust rate over the last few years and is expected to increase further due to affordability and changing life styles of the people. Further, the foreign car manufacturers are opting for Indian auto component manufacturers due to inherent quality and cost effectiveness.

Competition

Our Company operates in competitive environment and has a number of competitors who are engaged in the forging activity, namely M/s. Kalyani Forge Limited, M/s. Mod Forge Private Limited, M/s. Super Auto India Limited, M/s. Bill Forge Private Limited, M/s. Sundaram Fastners Limited, etc. Our Company's major emphasis is on manufacturing of technologically superior and critical components such as alternator, claw pole, outer races, pinion & sleeves (auto electrical) for two wheelers & passenger cars. However, due to consistent emphasis on quality and delivery, our Company has been receiving repeated orders from renowned multinational companies. The following table describes our market share in domestic and the export market for the various products manufactured:

Domestic

Product Category	Product	Market Share*	Common Clients
Forged and Machined	Bell	5%	Hyundai, Toyota, Maruti, Honda, Ashok Leyland, TVS
	Claw	95%	
	Pinion Shaft & Sleeve	50%	



Exports

Geography	Product	Market Share*	Remarks
European Market	Claw	8%	LD claws for small & Medium Cars

* - Approximately; Source: Company

Marketing and Selling Arrangements

Our products are manufactured as per the designs given by the OEMs. Therefore, it is essential to have a different kind of marketing approach. We are required to contact leading auto manufacturers in the country and world apart from other engineering manufacturing companies. Some of our customers include Denso India Limited, Lucas-TVS Limited, Rane (Madras) Limited, Auto Ignition Limited, Delphi-TVS Diesel System Limited, etc.

Our auto component products are critical safety parts and any failure on these parts may cause loss of human life. Hence the OEMs are in constant touch with activities being carried out at our facilities and new developments that we require to do from time to time. We also have our own testing facilities for such parts. Therefore, the selling has to be done directly between the OEM and ourselves and there is no selling agent or any intermediary between us and the OEMs.

One of the major marketing efforts is achieved for our auto component products are to create visibility for our products through the internationally recognized fairs held at Hanover, India etc.

Marketing Set up

The marketing function under the overall guidance of Mr. Rajvirdhan Vijayakumar, Executive Director, is looked after by Mr. Suhrud Roy who has 20 years experience in the marketing of auto components. He is supported by a team of qualified engineers and MBAs operating from the Registered Office to cater to our domestic and foreign customers. We have also setup offices at Chennai and New Delhi to look after the customers in the southern and northern region respectively. For export sales, we have appointed our sales representatives in the particular country. For USA, we have appointed resident american engineer Mr. Naga Monahar for catering to customers in Detroit i.e. M/s Ford and M/s General Motors. We also have a logistic support partner namely M/s CEVA Logistics for supplies that are being made to M/s Remy for its Mexican operations. There is a well knit co-ordination between the marketing team at Registered Office and foreign locations.

Export Obligation

Our Company does not any export obligation and as such there is no pending obligation to be met by our Company.

Quality Certifications

Our Company gives utmost importance to the quality of products as in our industry one gets repeat orders only if the previous orders have passed the minimum quality standards. Various regulatory organizations have certified units of our company for quality and environmental management system, details of which are given as under.

Sl No.	Certificate	Plant	Authority	Validity
1	ISO/TS 16949:2009	Kondayampalayam Plant Pillayar Koil Street, Kottaipalayam Post Coimbatore – 641 110 (Cold Forging)	UL DQS Inc Certification Authority	April 2, 2012

SI No.	Certificate	Plant	Authority	Validity
2	ISO/TS 16949:2009	Pillaippanpalayam Plant Pillaippanpalayam Village Kumarapalayam Post, Coimbatore – 641 653 (Hot & Warm Forging)	UL DQS Inc Certification Authority	February 8, 2012
3	ISO 9001 :2008	Kodayampalayam Plant Pillayar Koil Street, Kottaipalayam Post Coimbatore – 641 110 (Cold Forging)	UL DQS Inc Certification Authority	April 2, 2012
4	ISO/TS 16949: 2009	Mysore Plant Plot No.80 & 81, KRS Road, Metagalli Post, Mysore – 570 016 (Hot Forging)	UL DQS Inc Certification Authority	May 17, 2012
5	ISO 9001 : 2008	Mysore Plant Plot No.80 & 81, KRS Road, Metagalli Post, Mysore – 570 016 (Hot Forging)	UL DQS Inc Certification Authority	May 17, 2012

Competitive Strengths

Strong research and development team

Our Company has a strong research and development backbone, which is constantly innovating the manufacturing process, improving yield and ingredients to reduce the costs and be competitive.

Experienced Management and Employees

Our Company is managed and run by a team of experienced professionals which in turn increases the profitability.

Established Reputation for Quality Projects

Our Company has obtained various certifications for ensuring quality standards at its facilities. The quality certifications include ISO 9001:2008, ISO/TS 16949:2009 and ISO 9001:2008.

Standardized and documented internal processes

Our Company is in continuous process industry and the production is carried out in batches for which batch manufacturing records are maintained. There are standard operating procedures for manufacturing, quality control and quality assurance for the products manufactured. Our company also has preventive maintenance plans for smooth manufacturing operations.

Under the guidance of the highly skilled management, the company documented its internal processes and methodologies which ensures that each department and each employee of the company are aware of their respective roles and obligations, and each activity of construction and development is as per the standards of quality that has been set. This also ensures uniformity in all the processes.

Our Strategy

Further research in process and product engineering to ensure the best manufacturing process for the auto electrical components in order to enhance competitiveness in the markets is one of our goals. Research and development in Tool and Die will better enable a competitive position in the market. Further enhancement of operations by improving the existing assets to yield better output and installation of new assets to enhance and attract new markets are also in the horizon.



Capacity and Capacity Utilization

Particulars	Actual			Projected		
	2008-09 (Actual)	2009-10 (Actual)	2010-11 (Actual)	2011-12 (Projected)	2012-13 (Projected)	2013-14 (Projected)
Existing Installed capacity of Cold forged products (in strokes)	200	200	200	200	200	200
Capacity Utilisation (%)	58.00	68.50	70.50	77.55	85.31	93.84
Production (MT)	116	137	141	155.10	170.61	187.67
Existing Installed capacity of Hot and warm forged products	0.13*	0.13*	90#	90	90	90
Capacity Utilisation (%)	61.54	69.23	70	77.00	84.70	93.17
Production (MT)	0.08	0.09	63	69.30	76.23	83.85

* - in tones; # - in strokes

Property

Registered Office:

Registered Office	Owned/ Leased	Date of Purchase / Lease	Activities
6/16/13, Krishnarayapuram Road, Ganapathy Post Coimbatore – 641 006	Leased	July 1, 2011 on 11 months	Administration and Forging

Other Property owned / leased by the company are as follows:

Property Description	Owned/ Leased/ Rented	Date of Purchase / Lease	Activities
Pillaippanpalayam Plant Pillaippanpalayam Village Kumarapalayam Post, Coimbatore – 641 653	Own land	Document No 2457 / 05 & 2458/05 dated 16.06.2005 2987/05 & 2988 / 05 dated. 21.07.2005	Hot & Warm Forging
Kondayampalayam Plant Pillayar Koil Street, Kottaipalayam Post Coimbatore – 641 110	Leased	01/09/2011 on 11 months	Cold Forging
Mysore Plant Plot No.80 & 81, KRS Road, Metagalli Post Mysore – 570 016	Own Land	Document No.3482 / 04 dated 26.06.2004. Document No.3485/04 Dated 26.06.2004. Document No.18843/06 dated: January 1, 2006	Hot & Warm Forging

Insurance

Our Company has taken up a range of insurance policies including:

1. Fire policies for our units, buildings and offices, raw materials, work-in-progress and finished goods;
2. Marine policy for transit of raw materials and finished products in India and Marine Export policy;
3. Machinery break-downs policies for our production equipment;
4. Workmen compensation policy under the Workmen Compensation Act.

These insurance policies are reviewed annually to ensure that the coverage is adequate. All the policies are in existence and the premiums have been paid thereon.

KEY INDUSTRY REGULATIONS

The following description is a summary of the relevant regulations and policies as prescribed by the GoI and other regulatory bodies that are applicable to our business. The information detailed below has been obtained from various legislations, including rules and regulations promulgated by regulatory bodies, and the bye laws of the respective local authorities that are available in the public domain. The regulations set out below may not be exhaustive and are merely intended to provide general information to the shareholders and neither designed, nor intended to substitute for professional legal advice. For details of government approvals obtained by us, see the section titled “Government and Other Approvals” on page 129 of this Letter of Offer.

Industrial (Development and Regulation) Act, 1955, as amended (the “I(D&R) Act”)

The I(D&R) Act has been liberalized under the New Industrial Policy dated July 24, 1991, and all industrial undertakings are exempt from licensing except for certain industries such as distillation and brewing of alcoholic drinks, cigars and cigarettes of tobacco and manufactured tobacco substitutes, all types of electronic aerospace and defence equipment, industrial explosives including detonating fuses, safety fuses, gun powder, nitrocellulose and matches and hazardous chemicals and those reserved for the small scale sector.

An industrial undertaking which is exempt from licensing is required to file an Industrial Entrepreneurs Memorandum (“IEM”) with the Secretariat for Industrial Assistance, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, and no further approvals are required.

Public Liability Insurance Act, 1991, as amended (the “PLI Act”)

The PLI Act imposes liability on the owner or controller of hazardous substances for any damage arising out of an accident involving such hazardous substances. A list of hazardous substances covered by the legislation has been enumerated by the Government by way of a notification. The owner or handler is also required to take out an insurance policy insuring against liability under the legislation. The rules made under the PLI Act mandate that the employer has to contribute towards the environment relief fund, a sum equal to the premium paid on the insurance policies. The amount is payable to the insurer.

Approvals from Local Authorities

Setting up of a factory or manufacturing / housing unit entails the requisite planning approvals to be obtained from the relevant Local Panchayat(s) outside the city limits and appropriate Metropolitan Development Authority within the city limits. Consents are also required from the state pollution control board(s), the relevant state electricity board(s), the state excise authorities, sales tax, among others, are required to be obtained before commencing the building of a factory or the start of manufacturing operations.

Foreign Investment Regulations

The new industrial policy was formulated in 1991 to implement the Government’s liberalisation programme and consequent industrial policy reforms relaxed the industrial licensing requirements and restrictions on foreign investment.

Foreign investment in India is governed primarily by the provisions of the FEMA and the rules, regulations and notifications thereunder, read with the presently applicable Consolidated FDI Policy (effective from April 1, 2011 to September 30, 2011) as issued by the Department of Industrial Policy and Promotion, (“DIPP”).



The RBI, in exercise of its powers under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended (“**FEMA Regulations**”) to prohibit, restrict, regulate, transfer by, or issue of security, to a person resident outside India.

At present, investments in manufacturing companies fall under the RBI automatic approval route for foreign direct investment up to 100%.

Environmental Laws

The business of the Company is subject to various environment laws and regulations. The applicability of these laws and regulations varies from operation to operation and is also dependent on the jurisdiction in which the Company operates. Compliance with relevant environmental laws is the responsibility of the occupier or operator of the facilities.

The operations of the Company require various environmental and other permits covering, among other things, water use and discharges, stream diversions, solid waste disposal and air and other emissions. Major environmental laws applicable to the business operations include:

The Environment (Protection) Act, 1986, as amended (the “EPA”)

The EPA is an umbrella legislation in respect of the various environmental protection laws in India. The EPA vests the GoI with the power to take any measure it deems necessary or expedient for protecting and improving the quality of the environment and preventing and controlling environmental pollution. This includes rules for, inter alia, laying down the quality of environment, standards for emission or discharge of environment pollutants from various sources as given under the Environment (Protection) Rules, 1986, inspection of any premises, plant, equipment, machinery, examination of manufacturing processes and materials likely to cause pollution. Penalties for violation of the EPA include fines up to ₹ 100,000 or imprisonment of up to five years, or both. The imprisonment can extend up to seven years if the violation of the EPA continues.

There are provisions with respect to certain compliances by persons handling hazardous substances, furnishing of information to the authorities in certain cases, establishment of environment laboratories and appointment of Government analysts.

The Hazardous Wastes (Management and Handling) Rules, 1989 (the “Hazardous Wastes Rules”)

The Hazardous Wastes Rules aim to regulate the proper collection, reception, treatment, storage and disposal of hazardous waste by imposing an obligation on every occupier and operator of a facility generating hazardous waste to dispose such waste without adverse effect on the environment, including through the proper collection, treatment, storage and disposal of such waste. Every occupier and operator of a facility generating hazardous waste must obtain an approval from the Pollution Control Board. The occupier, the transporter and the operator are liable for damages caused to the environment resulting from the improper handling and disposal of hazardous waste. The operator and the occupier of a facility are liable for any fine that may be levied by the respective State Pollution Control Board. Penalty for the contravention of the provisions of the Hazardous Waste Rules includes imprisonment up to five years and imposition of fines as may be specified in the EPA or both.

The Water (Prevention and Control of Pollution) Act, 1974, as amended (the “Water Act”)

The Water Act aims to prevent and control water pollution as well as restore water quality by establishing and empowering the Central Pollution Control Board and the State Pollution Control Boards. Under the Water Act, any person establishing any industry, operation or process, any treatment or disposal system, use of any new or altered outlet for the discharge of sewage or new discharge of sewage, must obtain the consent of the relevant State Pollution Control Board, which is empowered to establish standards and

conditions that are required to be complied with. In certain cases the State Pollution Control Board may cause the local Magistrates to restrain the activities of such person who is likely to cause pollution. Penalty for the contravention of the provisions of the Water Act include imposition of fines or imprisonment or both.

The Central Pollution Control Board has powers, inter alia, to specify and modify standards for streams and wells, while the State Pollution Control Boards have powers, inter alia, to inspect any sewage or trade effluents, and to review plans, specifications or other data relating to plants set up for treatment of water, to evolve efficient methods of disposal of sewage and trade effluents on land, to advise the State Government with respect to the suitability of any premises or location for carrying on any industry likely to pollute a stream or a well, to specify standards for treatment of sewage and trade effluents, to specify effluent standards to be complied with by persons while causing discharge of sewage, to obtain information from any industry and to take emergency measures in case of pollution of any stream or well. A central water laboratory and a state water laboratory have been established under the Water Act.

The Water (Prevention and Control of Pollution) Cess Act, 1977, as amended (the “Water Cess Act”)

The Water Cess Act provides for levy and collection of a cess on water consumed by industries with a view to augment the resources of the Central and State Pollution Control Boards constituted under the Water Act. Under this statute, every person carrying on any industry is required to pay a cess calculated on the basis of the amount of water consumed for any of the purposes specified under the Water Cess Act at such rate not exceeding the rate specified under the Water Cess Act. A rebate of up to 25% on the cess payable is available to those persons who install any plant for the treatment of sewage or trade effluent, provided that they consume water within the quantity prescribed for that category of industries and also comply with the provision relating to restrictions on new outlets and discharges under the Water Act or any standards laid down under the EPA. For the purpose of recording the water consumption, every industry is required to affix meters as prescribed. Penalties for noncompliance with the obligation to furnish a return and evasion of cess include imprisonment of any person for a period up to six months or a fine of ` 1,000 or both and penalty for non-payment of cess within a specified time includes an amount not exceeding the amount of cess which is in arrears.

The Air (Prevention and Control of Pollution) Act, 1981, as amended (the “Air Act”)

Pursuant to the provisions of the Air Act, any person, establishing or operating any industrial plant within an air pollution control area, must obtain the consent of the relevant State Pollution Control Board prior to establishing or operating such industrial plant. The State Pollution Control Board is required to grant consent within a period of four months of receipt of an application, but may impose conditions relating to pollution control equipment to be installed at the facilities. No person operating any industrial plant in any air pollution control area is permitted to discharge the emission of any air pollutant in excess of the standards laid down by the State Pollution Control Board.

The penalties for the failure to comply with the provisions of the Air Act include imprisonment of up to six years and the payment of a fine as may be deemed appropriate. If an area is declared by the State Government to be an air pollution control area, then, no industrial plant may be operated in that area without the prior consent of the State Pollution Control Board.

The Noise Pollution (Regulation & Control) Rules 2000 (“Noise Regulation Rules”)

The Noise Regulation Rules regulate noise levels in industrial (75 decibels), commercial (65 decibels) and residential zones (55 decibels). The Noise Regulation Rules also establish zones of silence of not less than 100 meters near schools, courts, hospitals, etc. The rules also assign regulatory authority for these standards to the local district courts. Penalty for non-compliance with the Noise Regulation Rules shall be under the provisions of the Environment (Protection) Act, 1986.

Laws relating to Employment

As part of business of the Company it is required to comply from time to time with certain laws in relation to the employment of labour. A brief description of certain labour legislations which are applicable to the Company is set forth below:

Factories Act, 1948, as amended (the “Factories Act”)

The Factories Act defines a ‘factory’ to be any premises including the precincts thereof, on which on any day in the previous 12 months, 10 or more workers are or were working and in which a manufacturing process is being carried on or is ordinarily carried on with the aid of power; or where at least 20 workers are or were working on any day in the preceding 12 months and on which a manufacturing process is being carried on or is ordinarily carried on without the aid of power. State governments prescribe rules with respect to the prior submission of plans, their approval for the establishment of factories and the registration and licensing of factories.

The Factories Act provides that the ‘occupier’ of a factory (defined as the person who has ultimate control over the affairs of the factory and in the case of a company, any one of the directors) shall ensure the health, safety and welfare of all workers while they are at work in the factory, especially in respect of safety and proper maintenance of the factory such that it does not pose health risks, the safe use, handling, storage and transport of factory articles and substances, provision of adequate instruction, training and supervision to ensure workers’ health and safety, cleanliness and safe working conditions. If there is a contravention of any of the provisions of the Factories Act or the rules framed thereunder, the occupier and manager of the factory may be punished with imprisonment or with a fine or with both.

Employees (Provident Fund and Miscellaneous Provisions) Act, 1952, as amended (the “EPF Act”)

The EPF Act applies to factories employing over 20 employees and such other establishments and industrial undertakings as notified by the GoI from time to time. It requires all such establishments to be registered with the State provident fund commissioner and requires such employers and their employees to contribute in equal proportion to the employees’ provident fund the prescribed percentage of basic wages and dearness and other allowances payable to employees. The EPF Act also requires the employer to maintain registers and submit a monthly return to the State provident fund commissioner.

Employees State Insurance Act, 1948, as amended (the “ESIC Act”)

The ESI Act, provides for certain benefits to employees in case of sickness, maternity and employment injury. All employees in establishments covered by the ESI Act are required to be insured, with an obligation imposed on the employer to make certain contributions in relation thereto. In addition, the employer is also required to register itself under the ESI Act and maintain prescribed records and registers.

Payment of Gratuity Act, 1972, as amended (the “Gratuity Act”)

The Gratuity Act establishes a scheme for the payment of gratuity to employees engaged in every factory, mine, oil field, plantation, port and railway company, every shop or establishment in which ten or more persons are employed or were employed on any day of the preceding twelve months and in such other establishments in which ten or more employees are employed or were employed on any day of the preceding twelve months, as notified by the Central Government from time to time. Penalties are prescribed for non-compliance with statutory provisions.

Under the Gratuity Act, an employee who has been in continuous service for a period of five years will be eligible for gratuity upon his retirement, resignation, superannuation, death or disablement due to accident or disease. However, the entitlement to gratuity in the event of death or disablement will not be contingent upon an employee having completed five years of continuous service. The maximum amount of gratuity payable may not exceed ₹ 1 million.

Minimum Wages Act, 1948, as amended (the “MWA”)

The MWA provides a framework for State governments to stipulate the minimum wage applicable to a particular industry. The minimum wage may consist of a basic rate of wages and a special allowance; or a basic rate of wages and the cash value of the concessions in respect of supplies of essential commodities; or an all inclusive rate allowing for the basic rate, the cost of living allowance and the cash value of the concessions, if any. Workmen are to be paid for overtime at overtime rates stipulated by the appropriate government. Contravention of the provisions of this legislation may result in imprisonment for a term up to six months or a fine up to ₹ 500 or both.

Industrial Disputes Act, 1947, as amended (the “ID Act”)

The ID Act provides the procedure for investigation and settlement of industrial disputes. When a dispute exists or is apprehended, the appropriate Government may refer the dispute to a labour court, tribunal or arbitrator, to prevent the occurrence or continuance of the dispute, or a strike or lock-out while a proceeding is pending. The labour courts and tribunals may grant appropriate relief including ordering modification of contracts of employment or reinstatement of workmen.

Payment of Bonus Act, 1965, as amended (the “PoB Act”)

The PoB Act provides for payment of minimum bonus to factory employees and every other establishment in which 20 or more persons are employed and requires maintenance of certain books and registers and filing of monthly returns showing computation of allocable surplus, set on and set off of allocable surplus and bonus due.

Contract Labour (Regulation and Abolition) Act, 1970, as amended (the “CLRA Act”)

In respect of each of its facilities, the Company uses the services of certain licensed contractors who in turn employ contract labour whose number exceeds 20 in respect of each facility. Accordingly, the Company is regulated by the provisions of the CLRA Act which requires the Company to be registered as a principal employer and prescribes certain obligations with respect to welfare and health of contract labour. The CLRA Act requires the principal employer of an establishment to which the CLRA Act applies to make an application to the concerned officer for registration of the establishment. In the absence of registration, contract labour cannot be employed in the establishment. Likewise, every contractor to whom the CLRA Act applies is required to obtain a license and not to undertake or execute any work through contract labour except under and in accordance with the license issued. The CLRA Act imposes certain obligations on the contractor in relation to establishment of canteens, rest rooms, drinking water, washing facilities, first aid, other facilities and payment of wages. However, in the event the contractor fails to provide these amenities, the principal employer is under an obligation to provide these facilities within a prescribed time period. Penalties, including both fines and imprisonment, may be levied for contravention of the provisions of the CLRA Act.

Apprentices Act, 1961, as amended (the “Apprentices Act”)

The Apprentices Act was enacted in 1961 for imparting training to apprentices i.e. a person who is undergoing apprenticeship training in pursuance of a contract of apprenticeship. Every employer shall make suitable arrangements in his workshop for imparting a course of practical training to every apprentice engaged by him in accordance with the programme approved by the apprenticeship adviser. The central apprenticeship adviser or any other person not below the rank of an assistant apprenticeship adviser shall be given all reasonable facilities for access to each apprentice with a view to test his work and to ensure that the practical training is being imparted in accordance with the approved programme.



Fiscal Regulations

Foreign Trade (Development and Regulation) Act, 1992 (“FTA”)

FTA seeks to increase foreign trade by regulating the imports and exports to and from India. FTA read with the Indian Foreign Trade Policy provides that no export or import can be made by a person or company without an importer exporter code number unless such person or company is specifically exempt. An application for an importer exporter code number has to be made to the office of the Joint Director General of Foreign Trade, Ministry of Commerce. An importer-exporter code number allotted to an applicant is valid for all its branches, divisions, units and factories.

Foreign Trade Policy

Under the FTA, the Central Government is empowered to periodically formulate the Export Import Policy (“**EXIM Policy**”) and amend it thereafter whenever it deems fit. All exports and imports have to be in compliance with such EXIM Policy. The current EXIM Policy covers the period from 2009-2014. The iron and steel industry has been extended various schemes for promotion of export of finished goods and import of inputs. Duty Entitlement Pass Book (DEPB) Scheme has been extended up to September 2011.

The Duty exemption Scheme enables duty free imports of inputs required for production of export products by obtaining Advance license (AL).

The Duty Remission Scheme enables post export replenishment/ remission of duty on inputs used in the export product. This scheme consists of Duty Free Remission Certificate (DFRC) and Duty Entitlement Pass Book (DEPB).

While DFRC enables duty free replenishment of inputs used for manufacturing of export products, under DEPB Scheme, exporters on the basis of notified entitled rates are granted duty credit, which would entitle them to import goods except Capital Goods, without duty. The current DEPB rates for saleable products to be manufactured by us are ranging from 2% to 6%.

The imports of inputs under AL and DFRC for the products exported by the company are subject to Input and Output norms as prescribed in EXIM Policy.

EPCG Scheme allows imports of capital goods at 0% duty subject to export obligation which is linked to the amount of duty saved at the time of import of such capital Goods as per the provisions of EXIM Policy.

Excise Regulations

The Central Excise Act, 1944 seeks to impose an excise duty on excisable goods which are produced or manufactured in India. The rate at which the said duty is sought to be imposed is contained in the Central Excise Tariff Act, 1985. However, the Government has the power to exempt certain specified goods from excise duty, by notification. Steel products are classified under Chapter 72 and 73 of the Central Excise Tariff Act and presently attract an ad-valorem excise duty at the rate of 8% and also an Education Cess of 2% over the duty element.

Customs Regulations

All imports in the country are subject to duties under the Customs Act, 1962 at the rates specified under the Customs Tariff Act, 1975. However, the Government has the power to exempt certain specified goods from excise duty, by notification. The current custom duty on non-alloy steel is 5% and the custom duty on iron and steel is 10%.

Service Tax Laws

Service tax is imposed on various services like courier services, cargo handling services; goods transport agency services, transport of goods by air services, travel agent's services etc. Service provided by a cargo handling agency in relation to cargo handling services have been subjected to service tax by the Finance Act, 2002. Cargo handling service refers to loading, unloading, packing or unpacking of cargo and includes cargo handling services provided for freight in special containers or for non-containerized freight, services provided by a container freight terminal or any other freight terminal, for all modes of transport and cargo handling service incidental to freight, but does not include handling of export cargo or passenger baggage or mere transportation of goods.

Service provided to a customer by a goods transport agency in relation to transport of goods by road in a goods carriage is a taxable service subject to service tax. A goods transport agency means any commercial concern which provides service in relation to transport of goods by road and issues consignment note. Service provided to any person, by an aircraft operator, in relation to transport of goods by aircraft is subject to service tax. An aircraft operator is any commercial concern which provides the service of transport of goods by air craft. Service provided to a customer by a travel agent, in relation to the booking of passage for travel has been made subject to service tax by the Finance Act, 2004.

Central Sales Tax Act, 1956 ("Central Sales Tax Act")

The Central Sales Tax Act formulates principles for determining (a) when a sale or purchase takes place in the course of inter-state trade or commerce; (b) when a sale or purchase takes place outside a State and (c) when a sale or purchase takes place in the course of imports into or export from India. This Act provides for levy, collection and distribution of taxes on sales of goods in the course of inter-state trade or commerce and also declares certain goods to be of special importance in inter-State trade or commerce and specifies the restrictions and conditions to which State laws imposing taxes on sale or purchase of such goods of special importance (called as declared goods) shall be subject. Central Sales tax is levied on inter State sale of goods. Sale is considered to be inter-state when (a) sale occasions movement of goods from one State to another or (b) is effected by transfer of documents during their movement from one State to another.

A sale or purchase of goods shall be deemed to take place in the course of inter-state trade or commerce if the sale or purchase is affected by a transfer of documents of title to the goods during their movement from one state to another. When the goods are handed over to the carrier, he hands over a receipt to the seller. The seller sends the receipt to buyer. The buyer gets delivery of goods on submission of the receipt to the carrier at other end. The receipt of carrier is 'document of title of goods'. Such document is usually called Lorry Receipt (LR) in case of transport by Road or Air Way Bill (AWB) in case of transport by air. Though it is called Central Sales Tax Act, the tax collected under the Act in each State is kept by that State only. Central Sales Tax is payable in the State from which movement of goods commences (that is, from which goods are sold). The tax collected is retained by the State in which it is collected. The Central Sales Tax Act is administered by sales tax authorities of each State. The liability to pay tax is on the dealer, who may or may not collect it from the buyer.

Laws relating to Intellectual Property

In India, trademarks enjoy protection both statutory and under common law. The Trademarks Act, 1999, as amended ("**Trademarks Act**"), the Copyright Act, 1957, as amended ("**Copyrights Act**"), The Patents Act, 1970, as amended ("**Patents Act**"), and the Designs Act, 2000, as amended ("**Designs Act**"), amongst others govern the law in relation to intellectual property, including brand names, trade names and service marks, layout and research works.

Trademarks Act

The Trade Marks Act provides for the application and registration of trademarks in India. The purpose of the Trade Marks Act is to grant exclusive rights to marks such as a brand, label and heading and to obtain



relief in case of infringement for commercial purposes as a trade description. The registration of a trademark is valid for a period of 10 years, and can be renewed in accordance with the specified procedure. Application for trademark registry has to be made to Controller-General of Patents, Designs and Trade Marks who is the Registrar of Trademarks for the purposes of the Trade Marks Act. The Trade Marks Act prohibits any registration of deceptively similar trademarks or chemical compound among others. It also provides for penalties for infringement, falsifying and falsely applying trademarks.

Copyrights Act

The Copyrights Act governs copyright protection in India. Under the Copyright Act, copyright may subsist in original literary, dramatic, musical or artistic works, cinematograph films, and sound recordings. Following the issuance of the International Copyright Order, 1999, subject to certain exceptions, the provisions of the Copyright Act apply to nationals of all member states of the World Trade Organization.

While copyright registration is not a prerequisite for acquiring or enforcing a copyright, registration creates a presumption favoring ownership of the copyright by the registered owner. Copyright registration may expedite infringement proceedings and reduce delay caused due to evidentiary considerations. Once registered, the copyright protection of a work lasts for 60 years.

The remedies available in the event of infringement of a copyright under the Copyright Act include civil proceedings for damages, account of profits, injunction and the delivery of the infringing copies to the copyright owner. The Copyright Act also provides for criminal remedies, including imprisonment of the accused, imposition of fines and seizure of infringing copies.

Patents Act

The purpose of a patent act in India is to protect inventions. Patents provide the exclusive rights for the owner of a patent to make, use, exercise, distribute and sell a patented invention. The patent registration confers on the patentee the exclusive right to use, manufacture and sell his invention for the term of the patent. An application for a patent can be made by (a) person claiming to be the true and first inventor of the invention; (b) person being the assignee of the person claiming to be the true and first inventor in respect of the right to make such an application; and (c) legal representative of any deceased person who immediately before his death was entitled to make such an application. Penalty for the contravention of the provisions of the Patents Act include imposition of fines or imprisonment or both.

Designs Act

The objective of design law is to promote and protect the design element of industrial production. It is also intended to promote innovative activity in the field of industries. The Controller General of Patents, Designs and Trade Marks appointed under the Trademarks Act shall be the Controller of Designs for the purposes of the Designs Act. When a design is registered, the proprietor of the design has copyright in the design during ten years from the date of registration.

The Shops and Establishments Legislations

Under the provisions of local shops and establishments legislations applicable in the states in which establishments are set up, establishments are required to be registered. Such legislations regulate the working and employment conditions of the workers employed in shops and establishments including commercial establishments and provide for fixation of working hours, rest intervals, overtime, holidays, leave, termination of service, maintenance of shops and establishments and other rights and obligations of the employers and employees. Our Company's offices have to be registered under the shops and establishments laws of the state where they are located.

Competition Act, 2002, as amended (the “Competition Act”)

The Competition Act prohibits anti competitive agreements, abuse of dominant positions by enterprises and regulates “combinations” in India. The Competition Act also established the Competition Commission of India (the “CCI”) as the authority mandated to implement the Competition Act. The provisions of the Competition Act relating to combinations were notified on March 4, 2011 and have come into effect on June 1, 2011. Combinations which are likely to cause an appreciable adverse effect on competition in a relevant market in India are void under the Competition Act. A combination is defined under Section 5 of the Competition Act as an acquisition, merger or amalgamation of enterprise(s) that meets certain asset or turnover thresholds. There are also different thresholds for those categorized as ‘Individuals’ and ‘Group’. The CCI may enquire into all combinations, even if taking place outside India, or between parties outside India, if such combination is likely to have an appreciable adverse effect on competition in India. Effective June 1, 2011, all combinations have to be notified to the CCI within 30 days of the execution of any agreement or other document for any acquisition of assets, shares, voting rights or control of an enterprise under Section 5(a) and (b) of the Competition Act (including any binding document conveying an agreement or decision to acquire control, shares, voting rights or assets of an enterprise); or the board of directors of a company (or an equivalent authority in case of other entities) approving a proposal for a merger or amalgamation under Section 5(c) of the Competition Act. The obligation to notify a combination to the CCI falls upon the acquirer in case of an acquisition, and on all parties to the combination jointly in case of a merger or amalgamation.

Property related laws

The Company is required to comply with central and state laws in respect of property. Central Laws that may be applicable to our Company's operations include the Land Acquisition Act, 1894, the Transfer of Property Act, 1882, Registration Act, 1908, Indian Stamp Act, 1899, and Indian Easements Act, 1882.

In addition, regulations relating to classification of land may be applicable. Usually, land is broadly classified under one or more categories such as residential, commercial or agricultural. Land classified under a specified category is permitted to be used only for such specified purpose. Where the land is originally classified as agricultural land, in order to use the land for any other purpose the classification of the land is required to be converted into commercial or industrial purpose, by making an application to the relevant municipal or town and country planning authorities. In addition, some State Governments have imposed various restrictions, which vary from state to state, on the transfer of property within such states. Land use planning and its regulation including the formulation of regulations for building construction, form a vital part of the urban planning process. Various enactments, rules and regulations have been made by the Central Government, concerned State Governments and other authorised agencies and bodies such as the Ministry of Urban Development, State land development and/or planning boards, local municipal or village authorities, which deal with the acquisition, ownership, possession, development, zoning, planning of land and real estate.

Each state and city has its own set of laws, which govern planned development and rules for construction (such as floor area ratio or floor space index limits). The various authorities that govern building activities in states are the town and country planning department, municipal corporations and the urban arts commission.

Other regulations

In addition to the above, the Company is required to comply with the provisions of the Companies Act, and FEMA and other applicable statutes imposed by the Centre or the State for its day-to-day operations.



HISTORY AND OTHER CORPORATE MATTERS

Corporate Profile and Brief History

Our Company was incorporated in India on June 7, 2006 as LGB Forge Limited under the provisions of the Companies Act, 1956. The Corporate Identification Number is L27310TZ2006PLC012830. Pursuant to the scheme of arrangement in March 2008, the entire business and assets of forging unit of L.G.Balakrishnan & Bros Ltd was de-merged and transferred to our Company with effect from April 1, 2008. The appointed date for the Scheme is April 1, 2008 (the “Appointed Date”) and the effective date of the scheme was May 9, 2008.

For further details on the salient features and the rationale of Scheme of Arrangement, please see “Business Overview” on page 46 of this Letter of Offer.

Main Objects of our Company

The main objects of our Company are:

1. To carry on business as manufactures of forgings and castings of all types of metals and metal alloys required for industrial machinery, equipment, hardware and implements of all kinds and description such as required in the metallurgical industry, for steel plants, alloy steel plants, aluminum and copper industry and all other types of industry based on metal in the chemical process engineering, petrochemical, oil, pharmaceuticals, food-process industries and in the mineral industries such as coal mining, iron ore mining and all other industries based on minerals, in the fertilizer industry, pulp and paper, sugar, cement, oil and petroleum, rubber and glass, refractory, plastic, electrical, electronic, power generation industries, cotton, glass, refractory plastic, electrical, electronic, power generation industries, cotton, jute, woolen and synthetic fiber industries, railways, shipping, aeronautical and transportation, printing, radio and telecommunication and any other industries.
2. To carry on the business of iron foundries, metal presses, metal rollers, metal works, rolling mills, metal converters, manufactures, of metal fittings, mechanical appliances and manufactures of workshop equipments, ball and roller bearings, compressors, medium and light machines and tools, industrial and agricultural implements and machinery-power driven or otherwise-brass foundries, and boiler makers.
3. To set up steel furnaces and continuous casting and rolling mill plants for producing steel and alloy steel ingots, casting steel and alloy billets and all kinds and sizes of re-rolled section, i.e. flats, angles, rounds, squares, hexagons, octagons, rails, joints, channels, steel strips, sheets, plates, deformed bars, plates and cold twisted bars, bright bars, shafting, and structures and to set up furnaces, plant and machinery, for melting, casting of ferrous and non-ferrous metals.
4. To carry on the business of mechanical engineers, machinists, fitters, millwrights, foundries, wire drawers, tube makers, metallurgists, saddlers, galvanizers, annealers, electroplaters and painters.
5. To carry on the business of manufacturers, repairers, assemblers, importers, exporters, dealers, agents, and traders of all engineering components or any sub-assemblies or parts thereof including inter auto products which include shock absorbers, exhaust systems etc., and all other components, parts, sub-assemblies of the products so manufactured, repaired, assembled, distributed, imported, exported and traded by the company.
6. To carry on the business of manufacturing, importing, exporting and dealing in all kinds of Automobile Components, Spares parts and Accessories.
7. To buy, sell, exchange, repair, improve, lease, alter or otherwise deal with the products such as manufactured, repaired, assembled, distributed, imported, exported or traded or otherwise dealt with by the company.

8. To carry on the business as importers, exporters, distributors, manufacturers, repairers, agents and dealers in all kinds of plant, machinery, apparatus, tools, accessories and thing necessary or convenient for carrying on any of the above businesses of usually dealt in by persons engaged in like business
9. To carry on the business of repairing and servicing including setting up service station networks in connection with the products so manufactured, assembled, repaired, imported, exported, traded and or otherwise dealt with by the company.
10. To buy, sell, exchange alter improve manipulate prepare for market or otherwise deal in all kinds of plants, machinery, apparatus, tools, substances, materials and things necessary or convenient for carrying on any of the above specified business or proceedings.

Amendments to our Memorandum of Association

Since our incorporation, the following changes have been made to our Memorandum of Association:

Date of AGM/EGM	Nature of amendment
EGM December 5, 2007	The initial authorized share capital of ₹ 1,000,000 comprising of 100,000 equity shares of ₹10 each was sub-divided and reclassified to ₹ 1,000,000 divided into 1,000,000 equity shares of ₹1 each
EGM December 5, 2007	The authorized share capital of our company of ₹ 1,000,000 comprising of 1,000,000 Equity Shares was further increased to ₹ 120,000,000 divided into 120,000,000 equity shares of ₹1 each
AGM April 30, 2008	New Clauses (43) to (47) are inserted after the existing Clause (42) of the Clause III (B) of the Memorandum of Association of the Company viz., <ul style="list-style-type: none"> “43. To acquire and take over as a going Concern any company or business and to amalgamate, restructure and other such arrangements with any other company or companies 44. To promote any company or companies for the purpose of acquiring all or any of the property rights and liabilities of this company which purpose may seem directly or indirectly commensurate to the overall benefit the company 45. Generally to do all such acts and things as are incidental or conducive to the attainment of all or any of the objects of the company. 46. To Generate, Accumulate, Transmit, Purchase, Sell or otherwise supply or Acquire Electricity Power or any other Energy by Steam Water, Diesel, Wind and or through other conventional / non-conventional Energy Sources, Solar Energy Plants, Wind Energy Plants, Mechanical, Electrical, Hydel or similar Projects and use or otherwise dispose of such Electricity on a Commercial Basis”. 47. To generate, consume, purchase, sell and supply electricity by erection / installation of wind or hydel or thermal or solar or atomic or by any other power sources in India or elsewhere and to install/erect transmission equipments, feeder lines, sub-stations etc in connection therewith” and deletion of existing Clauses No.13, 14, 16 and 17 of Clause III (C)
EGM October 29, 2011	The authorized share capital of our company of ₹ 120,000,000 comprising of 120,000,000 equity shares of ₹1 each was further increased to ₹ 200,000,000 divided into 170,000,000 equity shares of ₹1 each and 300,000 preference shares of ₹ 100 each

Changes in the Registered Office of our Company

Since inception, there has been no change in the registered office address of our Company.



Major events in the history of our Company

Year	Major Event
2006	Incorporated on June 7, 2006 as a public limited company under the provisions of the Act
2008	De-merger of forging division from L.G.Balakrishnan & Bros Limited pursuant to the scheme of arrangement approved by the Hon'ble High Court of Madras vide its order dated April 21, 2008
2009	ISO 9001:2008 quality certification from UL DQS Inc for manufacture of cold forged and machined components
2009	ISO 9001:2008 quality certification from UL DQS Inc for manufacture of raw and machined ferrous and non-ferrous forgings
2009	ISO/ TS 16949:2009 ISO Technical Specification certification from UL DQS Inc for manufacture of hot, warm forged, cold sized, raw and machined forgings
2010	ISO/ TS 16949:2009 ISO Technical Specification certification from UL DQS Inc for manufacture of cold forged and machined components
2010	ISO/ TS 16949:2009 ISO Technical Specification certification from UL DQS Inc for manufacture of raw and machined ferrous and non-ferrous forgings

Injunction or Restraining Order

Our company is not operating under any injunction or restraining order.

Our Shareholders

As on September 30, 2011, the total number of holders of Equity Shares is 17,064. For further details of our shareholding pattern, please see "Capital Structure" on page 15 of the Letter of Offer.

Revaluation of Assets

Our Company has not revalued its fixed assets since incorporation.

Issuance of Equity or Debt

Other than as information disclosed in "Capital Structure" on page 15 of the Letter of Offer, our Company has not issued any capital in the form of equity or debt. For details on the description of our Company's activities, the growth of our Company, please see "Business Overview", "Management's Discussion and Analysis of Financial Conditions and Results of Operations" and "Basis of Issue Price" on pages 46,109 and 26 of the Letter of Offer.

Awards, Achievements and Certifications

Our Company has not received any awards / certifications.

Changes in the activities of our Company during the last five years

Since inception, there no changes in the activities of our Company other than in the normal course of business.

Defaults or Rescheduling of borrowings with financial institutions/ banks

There have been no defaults or rescheduling of borrowings with the financial institutions / banks.

Lock-out or strikes

There have been no lock-outs or strikes in our Company since inception.

Business Acquisitions

As on the date of the Draft Letter of Offer, our Company has not entered into any business acquisitions.

Subsidiaries

As on the date of the Draft Letter of Offer, our Company does not have any subsidiaries.

Shareholders' Agreement

As on the date of the Draft Letter of Offer, our Company has not entered into any shareholders' agreement.

Material Agreements

There are no material agreements, apart from those entered into in the ordinary course of business carried on or intended to be carried on by us.

Strategic Partners

As on the date of the Draft Letter of Offer, our Company does not have any strategic partners.

Financial Partners

As on the date of the Draft Letter of Offer, apart from the various arrangements with bankers and lenders which our Company undertakes in the ordinary course of business, our Company does not have any other financial partners.



MANAGEMENT

Board of Directors

The Articles of Association of our Company provides that our Company shall have not less than three and not more than twelve Directors on our Board. Our Company currently has seven Directors on our Board.

The following table sets forth details regarding the Board of Directors as on the date of this Draft Letter of Offer:

Name, Address, Occupation, Date of Appointment, Term and DIN	Nationality	Age (years)	Designation	Other directorships in Companies, partnerships etc
Mr. B. Vijayakumar Address: 28, Kamaraj Road, Race Course, Coimbatore – 641018 Occupation: Industrialist Original date of appointment: June 7, 2006 Term: Liable to retire by rotation DIN: 00015583	Indian	58	Chairman	Companies <ol style="list-style-type: none"> 1. L.G.Balakrishnan & Bros Limited 2. Super Spinning Mills Limited 3. Elgi Equipments Limited 4. South Western Engineering India Limited 5. Rolon Fine Blank Limited 6. LGB Rolon Chain Limited 7. LG Sports Limited 8. LGB Fuel Systems Private Limited 9. Elgi Automotive Services Private Limited 10. LGB Auto Products Private Limited 11. LG Farm Products Private Limited 12. Super Speeds Private Limited 13. Super Transports Private Limited 14. BCW V Tech India Private Limited 15. Renold Chain India Private Limited Partnerships <ol style="list-style-type: none"> 1. M/s L.G.Balakrishnan & Bros, Karur 2. M/s LG Shares Trade LLP
Mr. Vijayakumar Rajvirdhan Address: No.28, Kamaraj Road Race Course Coimbatore – 641 018 Occupation: Industrialist Original date of appointment: January 28, 2010 Term: 3 years from the effective date of appointment i.e., February 1, 2010 DIN: 00156787	Indian	28	Executive Director	Companies <ol style="list-style-type: none"> 1. L.G.Balakrishnan & Bros Limited 2. South Western Engineering India Limited 3. Rolon Fine Blank Limited 4. LGB Rolon Chain Limited 5. LGB Fuel Systems Private Limited 6. Elgi Automotive Services Private Limited 7. LGB Auto Products Private Limited 8. LG Farm Products Private Limited 9. Super Speeds Private Limited 10. Super Transports Private Limited 11. BCW V Tech India Private Limited Partnerships <ol style="list-style-type: none"> 1. M/s LG Shares Trade LLP



Name, Address, Occupation, Date of Appointment, Term and DIN	Nationality	Age (years)	Designation	Other directorships in Companies, partnerships etc
Mr. P. Shanmugasundaram Address: 4/178, Green Lands Near Tansi Covai Road, Karur – 639 002 Occupation: Business Original date of appointment: April 4, 2008 Term: Liable to retire by rotation DIN: 00119411	Indian	63	Non-Executive Independent Director	1. L.G.Balakrishnan & Bros Limited 2. Sabare International Limited 3. D.S.M.Soft Private Limited Partnership 1. M/s Reddy, Goud and Janardhan
Mr. P. V. Ramakrishnan Address: 14/16C1, Sharp Nagar SITRA, Kalapatty Road, Kalapatti Post, Coimbatore – 641 035 Occupation: Business Original date of appointment: April 4, 2008 Term: Liable to retire by rotation DIN: 00013441	Indian	52	Non-Executive Independent Director	1. Mikrosen Control Devices Private Limited 2. Palani Vijay Cottspin Private Limited Partnership 1. M/s Palani Vijay Cotton Spinning Mills
Mr. K.N.V.Ramani Address: 154, Kalidas Road, Ramnagar, Coimbatore – 641 009 Occupation: Business Original date of appointment: January 29, 2008 Term: Liable to retire by rotation DIN: 00007931	Indian	80	Non-Executive Independent Director	1. Sri Kannapiran Mills Limited 2. Sri Chamundeswari Sugars Limited 3. KG Denim Limited 4. Bannariamman Spinning Mills Limited 5. Sree Sankara College Association 6. Shiva Texyarn Limited 7. K.P.R.Mill Limited 8. Srinidhi Investment Advisors Private Limited Partnership 1. M/s.Ramani and Shankar
Mr. Harsha Lakshmikanth Address: GA Rain Tree Apartments, 16 Rhenius Street, Langford Town, Bangalore – 560025 Occupation: Business Original date of appointment: May 9, 2008 Term: Liable to retire by rotation DIN: 02238793	Indian	34	Non-Executive Independent Director	1. The Head Hunters (India) Private Limited 2. Placements.Com Private Limited 3. Mayajaal Entertainment Limited Partnership 1. K.G.G.Holdings 2. LG Shares Trade LLP
Mr. Rajiv Parthasarathy	Indian	34	Non-executive	1. Metal Forms Private Limited 2. South Western Engineering India



Name, Address, Occupation, Date of Appointment, Term and DIN	Nationality	Age (years)	Designation	Other directorships in Companies, partnerships etc
Address: 32, Karpagambal Nagar, Mylapore, Chennai – 600 004			Non-Independent	Limited 3. Oriental Hydraulics Private Limited
Occupation: Industrialist				4. Jayaarun Spinning Mills Private Limited
Original date of appointment: October 30, 2009				5. Jayaanu Spinning Mills Private Limited
Term: Liable to retire by rotation				Partnership
DIN: 02495329				1. K.G.G.Holdings 2. LG Shares Trade LLP

Confirmations

None of the Directors is or was a director of any listed company during the last five years preceding the date of filing of the Draft Letter of Offer, whose shares have been or were suspended from being traded on the BSE or the NSE, during the term of their directorship in such company.

None of the Directors is or was a director of any listed company which has been or was delisted from any recognised stock exchange in India during the term of their directorship in such company.

Relationship between Directors

Name of the Directors	Relationship between Directors
Mr. B. Vijayakumar	Father of Mr. Vijayakumar Rajvirdhan and Father-in-Law of Mr. Rajiv Parthasarathy
Mr. Vijayakumar Rajvirdhan	Son of Mr. B. Vijayakumar and Brother-in-Law of Mr. Rajiv Parthasarathy
Mr. Rajiv Parthasarathy	Son-in-Law of Mr. B. Vijayakumar and Brother-in-Law of Mr. V. Ravirdhan

Except as stated above, none of the other Directors are related to each other.

Brief Profile

Mr. B. Vijayakumar is a Science Graduate by education and automobile engineer by profession. He has been the Managing Director of L.G. Balakrishnan & Bros Limited since 1987 and he has been responsible for the development of the overseas market for the L.G. Balakrishnan & Bros Limited's products. He has played vital role in the growth of the Group to the present level. He is instrumental in taking major policy decision of the Company. He is playing vital role in formulating business strategies and effective implementation of the same. He has an overall experience of 25 years.

Mr. Vijayakumar Rajvirdhan is an engineering graduate with specialisation in Industrial Management and has wide experience in operations and marketing. Being an Executive Director, he is also involved in framing strategies and implementing them towards the growth of our Company. He has overall experience of 4 years.

Mr. P. Shanmugasundaram is chartered accountant by profession and a law graduate. He has over 25 years of experience in the field of Accounts and Finance.

Mr. P. V. Ramakrishnan is an Engineer by qualification and has wide experience in operations and marketing and has held senior management positions during his career. He has overall experience of 25 years.

Mr. K.N.V. Ramani is a Corporate Lawyer with more than 47 years of active practice specializing in legislations like the Companies Act, Taxation and Labour Laws. He is the Legal Advisor for many Companies, Public Sector Undertakings, Banks and Financial Institutions etc. He is presently the senior partner of the law firm M/s. Ramani & Shankar, Advocates, Coimbatore.

Mr. Harsha Lakshmikanth is a software engineer and presently works with U4EA Technologies. He has overall experience of 9 years. He also holds directorship in various companies.

Mr. Rajiv Parthasarathy is an engineering graduate with specialization in Industrial Management and has wide experience in operations and marketing. . He has overall experience of 11 years.

Borrowing Powers of the Board

The Articles of Association, subject to the provisions of the Companies Act, authorise the Board, at its discretion, to generally raise or borrow or secure the payment of any sum or sums of money for the purposes of our Company. However, the Board of Directors shall not without the sanction of our Company exceed the aggregate of the paid up capital and free reserves of our Company.

The consent of the members of our Company was accorded, vide resolution passed at the EGM held on February 18, 2008 authorizing the Board of Directors to borrow at any time amount not exceeding ₹ 300 lacs over and above the paid up capital and free reserves of our Company.

Details of Service Contracts

Our Company has not entered into any service contracts with the present Board of Directors.

Compensation of the Directors

Mr. Vijayakumar Rajvirdhan

- Salary and Perquisites – ₹16.80 lacs

This includes salary, company's contribution to provident fund.

Non-Executive Directors

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 (₹ in lacs)
Mr. B. Vijayakumar	0.16
Mr. K.N.V. Ramani	0.12
Mr. P. Shanmugasundaram	0.20
Mr. P.V. Ramakrishnan	0.15
Mr. Harsha Lakshmikanth	0.20
Mr. Rajiv Parthasarthy	0.20

ESOP

Our Company has not implemented any ESOP scheme.



Shareholding of Directors in our Company

Except mentioned below, none of our directors hold Equity Shares of our Company:

Name of the Director	No. of shares	Shares as a percentage of total number of Equity Shares
B. Vijayakumar	11,632,200	11.63
Vijayakumar Rajvirdhan	8,475,300	8.48
Rajiv Parthasarathy	10	0.00

Payment or benefit to Directors of our Company

Except as disclosed in the “Related Party Transactions in Financial Information” on page 102 of the Letter of Offer, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our officers except the normal remuneration for services rendered as Directors, officers or employees.

Interest of the Directors

All of our Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles of Association, and to the extent of remuneration paid to them for services rendered as an officer or employee of our Company. Some of the Directors may be deemed to be interested to the extent of consideration received/paid or any loan or advances provided to any body corporate including companies and firms and trusts, in which they are interested as directors, members, partners or trustees.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by and allotted to the companies, firms, and trusts, if any, in which they are interested as directors, members, promoters, and /or trustees pursuant to this Issue.

Certain of our Directors also hold directorships in the Promoter and Promoter Group. None of our Directors have been appointed on our Board pursuant to any arrangement with our major shareholders, customers, suppliers or others.

Except as stated in this section “Management” or the chapter titled “Related Party Transactions in Financial Information” on page 64 and 102 of the Letter of Offer and described herein to the extent of shareholding in our Company, if any, our Directors do not have any other interest in our business.

Our Directors have no interest in any property acquired by our Company within two years of the date of the Letter of Offer.

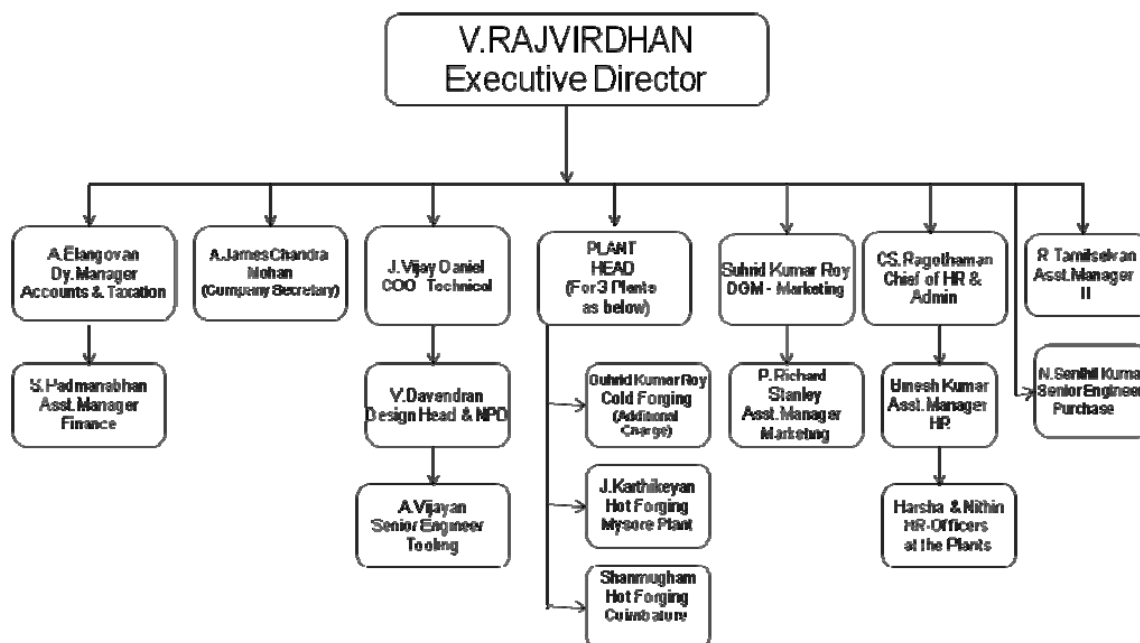
Our Directors are not interested in the appointment of or acting as Registrar and Bankers to the Issue or any such intermediaries registered with SEBI.

Changes in the Board in the last three years

The following changes have occurred in Board of Directors of our Company in the last three years:

Name	Date of Appointment/ Re-appointment/ Cessation	Reason for change
Mr. P.S. Balasubramanian	January 28, 2010	Resigned
Mrs. Rajsri Vijayakumar	January 28, 2010	Resigned
Mr. Vijayakumar Rajvirdhan	January 28, 2010	Appointed as Additional Director

Management Organisation Structure



Corporate Governance

Our Company has complied with the provisions of the Listing Agreement including Clause 49 of the Listing Agreement and other requirements under the Listing Agreement in relation to the meetings of the Audit Committee and the Investor Grievance Committee. The Board of Directors consists of a total of 7 Directors of which 4 are independent Directors (as defined under Clause 49), which constitutes more than 50% of the Board of Directors. This is in compliance with the requirements of Clause 49.

The details of the Audit Committee, Remuneration Committee, and Investor Grievance Committee, of our Company are given below:

Audit Committee

The Audit Committee was re-constituted at the Board meeting held on January 28, 2010. The Audit Committee comprises of the following members:

1. Mr. P. Shanmugasundaram - Chairman
2. Mr. P.V. Ramakrishnan
3. Mr. Rajiv Parthasarathy
4. Mr. Harsha Lakshmikanth

Terms of reference/scope of the Audit Committee:

1. Oversight of our Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditors and fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

4. Reviewing, with the management the annual financial statements before submission to the Board for approval, with particular reference to:
 - a. Matters required being included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - b. Changes, if any, in accounting policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of judgement by management.
 - d. Significant adjustments made in the financial statements arising out of audit findings.
 - e. Compliance with listing and other legal requirements relating to financial statements.
 - f. Disclosure of any related party transaction.
 - g. Qualification in the draft audit report.
5. Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow-up thereon.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
10. Discussion with the statutory auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower Mechanism, in case the same exists.
13. Carry out any other function as is mentioned in the terms of reference of Audit Committee

Remuneration Committee

The Remuneration Committee was constituted on April 4, 2008 and since then it has not been reconstituted. The Remuneration Committee comprises of the following members:

1. Mr. K.N.V. Ramani – Chairman
2. Mr. P. Shanmugasundaram
3. Mr. P.V. Ramakrishnan

The role of the Remuneration Committee is to review market practices and to decide on remuneration packages applicable to the Managing Director and Senior Executives of our Company.

Shareholders'/ Investors' Grievance Committee

The Shareholders'/Investors' Grievance Committee was re-constituted at the Board meeting held on January 28, 2010. The Investor Grievance Committee comprises of the following members:

1. Mr. P.V. Ramakrishnan – Chairman
2. Mr. B. Vijayakumar
3. Mr. Vijayakumar Rajvirdhan

The Committee normally meets as and when required. The committee looks into the following:

1. It shall have the authority to investigate into any matter in relation to transfer of securities or referred to it by the Board and for this purpose, shall have full access to information contained in the records of our Company and external professional advice, if necessary.
2. To investigate any activity within its terms of reference.

3. To seek information from any employee.
4. To seek information from share transfer agents.
5. To obtain outside legal or other professional advice.
6. To secure attendance of outsiders with relevant expertise, if it consider necessary.
7. To approve issue of duplicate share certificates and to oversee and review all matters connected with the transfer, transmission and issue of securities.
8. To approve share transfer / transmission of securities periodically, whether by circular resolution or otherwise.
9. To look into redressing of shareholders' complaint like transfer of shares, non-receipt of balance sheet, non receipt of declared dividends, etc.
10. To oversee the performance of the Registrar and Transfer Agents and recommend measures for overall improvement in the quality of investors services.

Policy on Prevention of Insider Trading

Our Company is in compliance with the provisions of the SEBI (Prohibition of Insider Trading) Regulations, 1992.

Mr. Vijayakumar Rajvirdhan, Executive Director and Mr. A. James Chandra Mohan, Company Secretary & Compliance Officer, are responsible for setting forth policies, procedures, monitoring and adhering to the rules for the prevention of dissemination of price sensitive information and the implementation of the code of conduct under the overall supervision of the Board.

Key Managerial Personnel

Sl. No.	Name	Designation	Age (Years)	Date of Appointment	Qualification	Experience in the Company (Years)	Compensation Paid (₹ in lacs)
1	A. James Chandra* Mohan	Company Secretary	52	October 30, 2009	M.Com, BL, FCS	22	11.27
2	CS.Ragothaman*	Chief of Human Resource	60	April 1, 2008	B.Com	39	7.31
3	J Vijay Daniel*	COO -Technical	30	April 1, 2008	BE	8	4.95
4	Suhrid Kumar Roy*	Plant DGM- Marketing	53	October 20, 2009	DME	2	7.77
5	R.Shanmugam*	Plant Manager- Pillaiappanpalayam	37	April 1, 2008	BE	10	5.28
6	Karthikeyan J*	Plant Manager – Mysore	32	April 1, 2008	BE	8	4.92

* - Deputed to LGB Forge from L.G. Balakrishnan & Bros Limited pursuant to scheme of arrangement

All the Key Managerial Personnel mentioned in the above table are permanent employees of our Company and have no prior experience in other companies.

Nature of any family relationship between the Key Managerial Personnel

None of the Key Managerial Personnel are in any way related to each other.



Shareholding of Key Managerial Personnel

Except as below, none of the Key Managerial Personnel hold Equity Shares of our Company as on September 30, 2011:

SI No.	Name of Key managerial personnel	No. of shares held
1	A. James Chandra Mohan	19,638
2	CS. Ragothaman	2,000

Changes in Key Managerial Personnel

The following are the changes in Key Managerial Personnel during the last three years:

SI No.	Name of employee	Designation	Date of change	Reason
1.	G.Kathirvel	Senior Manager – NPD	January 29, 2011	Resignation
2.	Sudip Burman	AGM-MFG-Mysore Plant	December 7, 2010	Resignation
3.	J.Karthikeyan	Plant Manager – Hot Forging Mysore.	December 1, 2010	Appointment
4.	R.Shanmugam	Plant Head-Hot Forging Coimbatore	September 1, 2010	Appointment
5.	K.Lokeshwar	DGM – MFG-Cold Forging	August 14, 2010	Resignation
6.	T.Alagarsamy	GM-QA&Qsystem	February 20, 2010	Resignation
7.	P.Suresh Kumar	Senior Vice President	February 17, 2010	Resignation
8.	V.Rajviradhan	Executive Director	February 1, 2010	Appointment
9.	PS.Balasubramanian	Managing Director	January 18, 2010	Resignation
10.	PP.Bhowmik	GM-MFG	December 7, 2009	Resignation
11.	A. James Chandra Mohan	Company Secretary	October 30, 2009	Appointment
12.	Suhrid Kumar Roy	DGM-Marketing	October 20, 2009	Appointment
13.	P.Manoj	Company Secretary	May 26, 2009	Resignation
14.	P.Mahesh Babu	AGM-Marketing	December 12, 2008	Resignation
15.	R.Thirupathivasagam	GM-Technical	November 19, 2008	Resignation

Bonus or profit sharing plan for Directors and Key Managerial Personnel

Our Company does not have a performance linked bonus or a profit sharing plan for the present Directors and Key Managerial Personnel.

Interest of Key Managerial Personnel

The Key Managerial Personnel of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business.

Arrangements and Understanding with Major Shareholders

None of our key management personnel have been selected pursuant to any arrangement or understanding with any major shareholders, customers or suppliers of our Company, or others.

Payment of Benefits to Officers of our Company

Except as disclosed in the Letter of Offer, other than statutory payments and remuneration, in the last two years our Company has not paid or has intended to pay any non-salary amount or benefit to any of its officers.

Loans taken by Directors / Key Managerial Personnel

None of the Directors / Key Managerial Personnel have taken loan from our Company.



PROMOTER AND PROMOTER GROUP

The promoter of our Company is Mr. B. Vijayakumar. As on the date of the Letter of Offer, Mr. B. Vijayakumar holds 11,632,200 Equity Shares, equivalent to 11.63% of the pre-Issue paid-up Equity Share Capital of our Company. His details are as under:



Mr. B. Vijayakumar is the Chairman of our Company. His Driving License Number is R/TN/038/012099/2005 and Passport Number is Z1774504.

Mr. B. Vijayakumar is a Science Graduate by education and automobile engineer by profession. He has been the Managing Director of L.G. Balakrishnan & Bros Limited since 1987 and he has been responsible for the development of the overseas market for the L.G. Balakrishnan & Bros Limited's products. He has played vital role in the growth of the Group to the present level. He is instrumental in taking major policy decision of the Company. He is playing vital role in formulating business strategies and effective implementation of the same. He has an overall experience of 25 years.

For further details, see “Management” on page 64 of this Letter of Offer.

Declaration

Our Company hereby confirms that the personal details of our Promoter viz., Permanent Account Numbers, Passport Numbers, and Bank Account Numbers have been submitted to BSE and NSE.

Other Confirmations

Our Promoter has confirmed that he has not been declared as wilful defaulter by RBI or any other government authority and there are no violations of securities laws committed by our Promoter in the past nor any such proceedings are pending against our Promoter. Our Promoter has further confirmed that he has not been prohibited or debarred from accessing or operating in the capital markets for any reasons, or restrained from buying, selling or dealing in securities, under any order or directions made by SEBI or any other authorities and that no action has been taken against them or any entity promoted or controlled by them by any regulatory authorities.

Common Pursuits of our Promoter

Our Promoter does not have any common pursuits and are not engaged in businesses similar to those carried out by our Company, except to the extent of their shareholding in our Group Companies with which our Company transacts business as stated in the sections titled “Financial Information – Related Party Disclosures” and “History and Corporate Structure” on pages 102 and 64, respectively.

Interest of Promoter in the Promotion of our Company

Our Company is incorporated to carry on its present business. Our Promoter are interested in our Company as mentioned above under “Promoter and Promoter Group – Common Pursuits of our Promoter” and to the extent of their shareholding and directorship in our Company and the dividend declared, if any, by our Company.

Interest of Promoter in the Property of our Company

Our Promoter have confirmed that he does not have any interest in any property acquired by our Company within two years preceding the date of this Letter of Offer or proposed to be acquired by our Company as on the date of filing of the Letter of Offer. Further, other than as mentioned in the sections titled “Business Overview”, our Promoter does not have any interest in any transactions in the acquisition of land, construction of any building or supply of any machinery.

Payment of Amounts or Benefits to our Promoter or Promoter Group during the Last Two Years

Except as stated in “Financial Information – Related Party Transactions”, no amount or benefit has been paid by our Company to our Promoter or the members of our Promoter Group in the last two years preceding the date of this Letter of Offer. Further, as on the date of the Letter of Offer, there is no bonus or profit sharing plan for our Promoter.

Interest of Promoter in our Company Other than as Promoter

Except as mentioned in this section and the sections titled “Business Overview”, “History and Corporate Structure”, “Financial Indebtedness” and “Financial Information – Related Party Transactions” on pages 46,64,116 and 102, respectively, our Promoter does not have any interest in our Company other than as Promoter.

Related Party Transactions

Except as stated in the section titled “Financial Information – Related Party Transactions” on page 102, our Company has not entered into related party transactions with our Promoter or our Group Companies.

Shareholding of the Promoter Group in our Company

Except as disclosed in “Capital Structure” on page 15, none of the members of our Promoter Group hold any Equity Shares as on the date of filing of this Letter of Offer.

Litigations

For information on details relating to the litigation in relation to our Promoter and Group Companies, see the section titled “Outstanding Litigations and Defaults” page 119.

Other confirmations

Our Company has neither made any payments in cash or otherwise to the Promoter or to firms or companies in which our Promoter is interested as member, director or Promoter nor have our Promoter has been offered any inducements to become director or otherwise to become interested in any firm or company, in connection with the promotion or formation of our Company.

Promoter Group

In terms of Regulation 2 (1) (zb) of the SEBI ICDR Regulations, the following persons form a part of our Promoter Group.

Individuals related to our Promoter:

Name of the Promoter	Name of the Relative	Relationship with the Promoter
Mr. B. Vijayakumar	B. Sarojini	Mother
	Vijayakumar Vijayshree	Spouse
	V. Rajsri	Daughter
	Vijayakumar Rajvirdhan	Son
	Rajiv Parthasarathy	Son in law
	Arjun Karivardhan	Step Son
	Nithin Karivardhan	Step Son
	Soundarajan	Spouse’s Father
	Saroja Soundarajan	Spouse’s Mother
	Ranjith Soundarajan	Spouse’s Brother
	Sujatha Soundarajan	Spouse’s Sister



Companies, partnership firms, proprietary concerns, trusts, HUF's related to our Individual Promoter:

Nature of Relationship/ Reason for inclusion	Entity
Any company in which 10% or more of the share capital is held by the Promoter or an immediate relative of the Promoter or a firm or HUF in which the Promoter or any one or more of his immediate relatives is a member	<ol style="list-style-type: none"> 1. L.G. Balakrishanan & Bros Limited 2. Elgi Automotive Services Private Limited 3. LGB Auto Products Private Limited 4. Rolon Fine Blank Limited 5. Super Transports Private Limited 6. LG Farm Products Private Limited 7. Super Seeds Private Limited 8. LGB Rolon Chain Limited 9. Silent Chain India Private Limited 10. LGB Fuel Systems Private Limited 11. Vijayshree Spinning Mills Private Limited 12. South Western Engineering India Limited
Any company in which a company as mentioned above, holds 10% or more, of the equity share capital	<ol style="list-style-type: none"> 1. Elgi Automotive Services Private Limited 2. LGB Auto Products Private Limited 3. LG Sports Limited 4. Super Transports Private Limited 5. LG Farm products private Limited 6. BCW V Tech India Private Limited 7. LGB Rolon Chain Limited 8. South Western Engineering India Limited
Any HUF or firm in which the aggregate share of the Promoter and his immediate relatives is equal to or more than 10% of the total	<ol style="list-style-type: none"> 1. L.G Shares Trade LLP 2. KGG Holdings

Other than those stated above, there are no HUFs, proprietorships or other entities that are part of our Promoter Group.

GROUP COMPANIES

Unless otherwise stated none of the companies or other entities forming part of Group Companies is a sick company under the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 and none of them are in the process of winding up. Further, one of our Group Companies, L.G. Balakrishnan & Bros Limited, is a listed company and it has not made any public issue of securities in the preceding three years.

Group Companies

Companies

1. L.G. Balakrishnan & Bros Limited;
2. BCW V Tech India Private Limited;
3. South Western Engineering India Limited;
4. LGB Auto Products Private Limited;
5. ELGI Automotive Services Private Limited;
6. LG Farm Products Private Limited;
7. Super Speeds Private Limited;
8. LG Sports Limited;
9. Super Transports Private Limited;
10. Silent Chain India Private Limited;
11. LGB Fuel Systems Private Limited;
12. Rolon Fine Blank Limited;
13. LGB Rolon Chain Limited

Partnership firms

1. L.G. Balakrishnan & Bros – Karur
2. L.G. Shares Trade LLP

Details of top five Group Companies

The details top five Group Companies based on the turnover are as follows:

1. L.G. Balakrishnan & Bros Limited (LGBBL)

Corporate Information

LGBBL was incorporated under the Companies Act on March 24, 1956. The registered office of the Company is situated at 6/16/13, Krishnarayapuram Road, Ganapathy Post, Coimbatore – 641 006, Tamil Nadu, India. LGBBL is engaged in the business of manufacturing Transmission Chains (for Automobile & Industrial) and Metal Forming Fine Blankings. The corporate identification number is L29191TZ1956PLC000257.

Interest of the Promoter

As on September 30, 2011, Mr. B. Vijayakumar holds 880,220 equity shares of ₹10 each, aggregating to 11.22% of the issued and paid-up share capital of LGBBL.

Financial Performance

The brief standalone audited financial results of LGBBL for the FY 2011, 2010 and 2009 are as follows:



₹ in Lacs

Particulars	March 31, 2011	March 31, 2010	March 31, 2009
Equity Capital	784.81	784.81	784.81
Reserves (excluding revaluation reserves) and surplus	18,756.81	15,088.44	13,240.34
Income (including other income)	71,181.70	55,792.02	51,308.99
Profit after tax	4,580.50	2,483.51	3,914.32
EPS (FV ₹10 each)	58.36	31.64	10.80*
NAV	250.00	202.26	178.71

* - Adjusted to the face value of ₹10/- each

Share Price Information

The equity shares of LGBBL are listed on the BSE and the NSE.

The monthly high and low of the market price of the equity shares of LGBBL having a face value of ₹ 10 each on the BSE and the NSE, respectively, for the last six months is as follows:

Month	BSE		NSE	
	High (₹)	Low (₹)	High (₹)	Low (₹)
November 2011	349.40	312.95	348.90	297.00
October 2011	325.30	282.00	324.75	275.05
September 2011	308.00	273.05	307.50	270.70
August 2011	311.95	262.05	311.00	261.10
July 2011	316.90	276.50	317.85	276.50
June 2011	298.20	258.00	299.00	258.00

Source: Respective websites of the BSE & the NSE

As on the date of the Letter of Offer, there are no investor complaints pending.

2. Super Transports Private Limited (STPL)

Corporate Information

STPL was incorporated under the Companies Act 1956 on October 31st 1983. The registered office of the Company is situated at Mochakkottampalayam, Viswanathapuri post Andan Koil West Village, Karur - 639 002, Tamil Nadu, India. STPL is engaged in the business of Tyre Retreading and trading oil & lubricants. The Corporate Identification number is U93090TN1983PTC010416.

Interest of the Promoters

As on September 30, 2011, Mr. B. Vijayakumar holds 169000 equity shares of ₹10 each, aggregating to 16.92% of the issued and paid-up share capital of STPL.

Financial Performance

The brief audited financial results of STPL for the FY 2011, 2010 and 2009 are as follows:

₹ in Lacs

Particulars	March 31, 2011	March 31, 2010	March 31, 2009
Equity Capital	99.90	99.90	99.90
Reserves (excluding revaluation reserves) and surplus	503.51	495.05	266.38
Income (including other income)	4260.68	3735.91	2950.91
Profit after tax	133.94	168.75	135.11
EPS (FV ₹10 each)	13.41	16.89	13.52
NAV	60.95	50.54	36.65

3. LGB Fuel Systems Private Limited (LGBFSPL)

Corporate Information

LGBFSPL was incorporated under the Companies Act 1956 on September 16th 2004. The registered office of the Company is situated at 6/16/13, Krishnarayapuram Road, Ganapathy Post, Coimbatore – 641 006 Tamil Nadu, India. LGBFSPL is engaged in the business of Trading Automobile parts and accessories. The Corporate Identification number is U34300TZ2004PTC011337.

Interest of the Promoters

As on September 30, 2011, Mr. B. Vijayakumar holds 48,990 equity shares of ₹10 each, aggregating to 8.17% of the issued and paid-up share capital of LGBFSPL.

Financial Performance

The brief audited financial results of LGBFSPL for the FY 2011, 2010 and 2009 are as follows:

Particulars	<i>₹ in Lacs</i>		
	March 31, 2011	March 31, 2010	March 31, 2009
Equity Capital	60.00	60.00	60.00
Reserves (excluding revaluation reserves) and surplus	116.94	92.54	67.78
Income (including other income)	1258.82	1531.38	1464.20
Profit after tax	32.76	31.75	34.21
EPS (FV ₹10 each)	5.46	5.29	5.70
NAV	29.49	25.42	21.30

4. Elgi Automotice Services Private Limited (EASPL)

Corporate Information

EASPL was incorporated under the Companies Act 1956 on March 31st 1970. The registered office of the Company is situated at 6/16/13, Krishnarayapuram Road, Ganapathy Post, Coimbatore – 641 006 Tamil Nadu, India. EASPL is engaged in the business of Trading Automobile parts and accessories. The Corporate Identification number is U29130TZ1970PTC000612.

Interest of the Promoters

As on September 30, 2011, Mr. B. Vijayakumar holds 169,600 equity shares of ₹10 each, aggregating to 34.61% of the issued and paid-up share capital of EASPL.

Financial Performance

The brief audited financial results of EASPL for the FY 2011, 2010 and 2009 are as follows:

Particulars	<i>₹ in Lacs</i>		
	March 31, 2011	March 31, 2010	March 31, 2009
Equity Capital	49.00	49.00	49.00
Reserves (excluding revaluation reserves) and surplus	990.55	930.40	828.14
Income (including other income)	1515.77	1323.16	1154.43
Profit after tax	117.09	116.54	93.58
EPS (FV ₹10 each)	23.90	23.78	19.10
NAV	212.15	199.88	179.00



5. Super Speeds Private Limited (SSPL)

Corporate Information

SSPL was incorporated under the Companies Act 1956 on December 29, 1983. The registered office of the Company is situated at 6/16/13, Krishnarayapuram Road, Ganapathy Post, Coimbatore – 641 006 Tamil Nadu, India. SSPL is engaged in the business of Automobile Engine reworks on job work basis. The Corporate Identification number is U74999TZ1983PTC001370.

Interest of the Promoters

As on September 30, 2011, Mr. B. Vijayakumar holds 163,000 equity shares of ₹10 each, aggregating to 24.70% of the issued and paid-up share capital of SSPL.

Financial Performance

The brief audited financial results of SSPL for the FY 2011, 2010 and 2009 are as follows:

Particulars	₹ in Lacs		
	March 31, 2011	March 31, 2010	March 31, 2009
Equity Capital	66.00	66.00	66.00
Reserves (excluding revaluation reserves) and surplus	493.78	449.46	392.11
Income (including other income)	367.85	308.00	219.83
Profit after tax	63.50	76.59	15.25
EPS (FV ₹10 each)	9.62	11.60	2.31
NAV	84.81	78.10	69.41

Details of Other Group Companies

1. South Western Engineering India Limited (SWEIL)

SWEIL was incorporated under the Companies Act 1956 on October 25, 1962. The registered office of the company is situated at Industrial Estate, Coimbatore - Pollachi Road, Industrial Estate P.O. Coimbatore - 641 021 Tamil Nadu, India. SWEIL is engaged in the business of Heat Treatment process on job work basis. The corporate identification number is U74999TZ1692PLC000470.

Interest of the Promoters

As on September 30, 2011, Mr. B. Vijayakumar holds 110 equity shares of ₹1000 each, aggregating to 3.84% of the issued and paid-up share capital of SWEIL.

2. Silent Chain India Private Limited (SCIPL)

SCIPL was incorporated under the Companies Act 1956 on December 29, 1983. The registered office of the company is situated at 6/16/13, Krishnarayapuram Road, Ganapathy Post, Coimbatore – 641 006 Tamil Nadu, India. SCIPL is engaged in the business of Machining work on job work basis. The corporate identification number is U29191TZ1981PTC001079.

Interest of the Promoters

NIL

3. LG Farm Products Private Limited (LGFPPPL)

LGFPPPL was incorporated under the Companies Act 1956 on December 03rd 1980. The registered office of the company is situated at 6/16/13, Krishnarayapuram Road, Ganapathy Post, Coimbatore – 641 006 Tamil Nadu, India. LGFPPL is engaged in the business of Agricultural Activates. The corporate identification number is U65993TZ1980PTC000990.

Interest of the Promoters

As on September 30, 2011, Mr. B. Vijayakumar holds 339,000 equity shares of ₹10 each, aggregating to 33.93% of the issued and paid-up share capital of LGFPPL.

4. Rolon Fine Blank Limited (RFBL)

RFBL was incorporated under the Companies Act 1956 on June 21st, 2006. The registered office of the company is situated at 6/16/13, Krishnarayapuram Road, Ganapathy Post, Coimbatore – 641 006 Tamil Nadu, India. RFBL not commenced its activities. The corporate identification number is U34300TZ2006PLC012833.

Interest of the Promoters

As on September 30, 2011, Mr. B. Vijayakumar holds 25,010 equity shares of ₹10 each, aggregating to 12.51% of the issued and paid-up share capital of RFBL.

5. LGB Rolon Chain Limited (LGBRCL)

LGBRCL was incorporated under the Companies Act 1956 on June 07th, 2006. The registered office of the Company is situated at 6/16/13, Krishnarayapuram Road, Ganapathy Post, Coimbatore – 641 006 Tamil Nadu, India. LGBRCL not commenced its activities. The Corporate Identification number is U34300TZ2006PLC012834.

Interest of the Promoters

As on September 30, 2011, Mr. B. Vijayakumar holds 25010 equity shares of ₹10 each, aggregating to 50.02% of the issued and paid-up share capital of LGBRCL.

6. LGB Auto Products Private Limited (LGBAPPL)

LGBAPPL was incorporated under the Companies Act 1913 on July 30th 1948. The registered office of the Company is situated at Mochakkottampalayam, Viswanathapuri post Andan Koil West Village, Karur - 639 002, Tamil Nadu, India. LGBAPPL is engaged in the business of Wind Energy Generation. The Corporate Identification number is U27105TN1948PTC002954.

Interest of the Promoters

As on September 30, 2011, Mr. B. Vijayakumar holds 129900 equity shares of ₹10 each, aggregating to 26.54% of the issued and paid-up share capital of LGBAPPL.

7. BCW V Tech India Private Limited (BCW)

BCW was incorporated under the Companies Act 1956 on June 07th 2006. The registered office of the Company is situated at 6/16/13, Krishnarayapuram Road, Ganapathy Post, Coimbatore – 641 006 Tamil Nadu, India. BCW is engaged in the business of Machining works on job work basis. The Corporate Identification number is U72200TZ2006PTC012831.



Interest of the Promoters

As on September 30, 2011, Mr. B. Vijayakumar holds 1 equity shares of ₹10 each, aggregating to 0.0% of the issued and paid-up share capital of BCW as a nominee alongwith LGBBL (Wholly owned subsidiary company of LGBBL)

8. LG Sports Limited (LGSL)

LGSL was incorporated under the Companies Act 1956 on July 28th 2003. The registered office of the Company is situated at 6/16/13, Krishnarayapuram Road, Ganapathy Post, Coimbatore – 641 006 Tamil Nadu, India. LGSL is engaged in the business of Motor vehicle Racing Activities. The Corporate Identification number is U72200TZ2006PTC012831.

Interest of the Promoters

As on September 30, 2011, Mr. B. Vijayakumar holds 1 equity shares of ₹10 each, aggregating to 0.0% of the issued and paid-up share capital of LGSL as a nominee alongwith SSPL (Wholly own Subsidiary Company of Super Speeds Private Limited)

Details of Partnership firms

1. LG Balakrishnan & Bros, Karur

Corporate Information

L.G.Balakrishnan & Bros, Karur was incorporated under the Partnership Act, 1932 on January 1, 2000. The registered office of the firm is situated at 1026, Covai Road, Karur 639 002, Tamil Nadu, India. L.G.Balakrishnan & Bros, Karur owns a petrol refueling station and deals in the distribution of petrol, diesel oil & lubricants and allied products.

Interest of the Partners

As on September 30, 2011, Mr. B. Vijayakumar holds the partnership share of 47.25% in L.G.Balakrishnan & Bros, Karur.

2. LG Shares Trade LLP

Corporate Information

L.G. Shares Trade LLP was incorporated under the Limited Liability Partnership Act, 2008 on 26th October, 2009. The registered office of the firm is situated at 6/16/13, Krishnarayapuram Road, Ganapathy Post, Coimbatore – 641 006, Tamil Nadu, India.

Interest of the Partners

As on September 30, 2011, Mr. B. Vijayakumar and each of the partners have contributed Rs.1000/- each as partnership capital.

Nature and Extent of Interest of Group Companies

a. In the promotion of our Company

None of the Group Companies have any interest in the promotion of our Company.

b. In the properties acquired to be acquired by our Company before filing this Letter of Offer with SEBI

Neither our Promoter nor any of the Group Companies is interested in the properties acquired by our Company before filing of this Draft Letter of Offer.

c. In transactions for acquisition of land, construction of building and supply of machinery

Neither our Promoter nor any of the Group Companies is interested in any transactions for the acquisition of land, construction of building or supply of any machinery.

Disassociation of the Promoter from other companies/ firms in the last three years

Our Promoter has not been disassociated himself from any of the other companies or firms in the last three years from the date of this Draft Letter of Offer.

Common Pursuits amongst the Group Companies and Associate Companies with our Company

There are no common pursuits amongst any of the Group Companies and our Company.

Related Business Transactions with the Group Companies and Significance on the Financial Performance of our Company

Except as disclosed in the “Financial Information – Related Party Transactions” on page 102, our Company has not entered in to any business transaction with our Group Companies.

Sale/Purchase between Group Companies and Associate Companies

There is no transaction of sales/ purchase between the Group Companies and associate companies, where such sales/ purchase exceeds 10% of total sales/ purchase of our Company as of date of this Letter of Offer.

Business Interest of Group Companies and Associate Companies in our Company

None of the Group Companies and associate companies has any business interest in our Company.

Defunct Group Companies

None of the Group Companies remain defunct and no application has been made to the registrar of companies for striking off the name of any of the Group Companies, during the five years preceding the date of filing this Letter of Offer with SEBI.



DIVIDEND POLICY

Under the Companies Act, an Indian company pays dividends upon a recommendation by its board of directors and approval by a majority of the shareholders, who have the right to decrease but not to increase the amount of dividend recommended by the board of directors. Under the Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits or reserves of the previous Fiscal Years or out of both.

Our Company does not have a formal dividend policy. Any dividends declared are recommended by the Board of Directors depending upon the financial condition, results of operations, capital requirements and surplus, contractual obligations and restrictions, the terms of the credit facilities and other financing arrangements of our Company at the time a dividend is considered, and other relevant factors and approved by the Equity Shareholders at their discretion.

Our Company has not paid any dividend in the previous five Financial Years.

Dividends are payable within 30 days of approval by the Equity Shareholders at its annual general meeting. When dividends are declared, all the Equity Shareholders whose names appear in the register of members of our Company as on the “record date” are entitled to be paid the dividend declared by our Company. Any Equity Shareholder who ceases to be an Equity Shareholder prior to the record date, or who becomes an Equity Shareholder after the record date, will not be entitled to the dividend declared by our Company.



SECTION VI – FINANCIAL INFORMATION

AUDITOR'S REPORT

To,

The Board of Directors
LGB Forge Limited
6/16/13, Krishnarayapuram Road,
Ganapathy Post, Coimbatore – 641 006,
Tamil Nadu, India.

Dear Sirs,

1. We have examined the attached audited financial information ('Financial Information') of LGB Forge Limited ('LGB' or 'the Company') as approved by the Board of Directors of the Company, prepared in terms of the requirements of Paragraph B, Part II of Schedule II to the Companies Act, 1956 ('the Act') and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009, as amended to date ('SEBI Regulations'), the Guidance note on "Reports in Company's Prospectus" (Revised) issued by the Institute of Chartered Accountants of India ('ICAI'), to the extent applicable ('Guidance Note') and in terms of our engagement letter dated October 31, 2011 in connection with the proposed Rights Issue of equity shares of the Company.
2. This Financial Information has been extracted by the Management from the financial statements of the Company for the Half year ended September 30, 2011 and for the years ended March 31, 2011, March 31, 2010, March 31, 2009, March 31, 2008 and March 31, 2007.
3. In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the SEBI Regulations, Guidance Note and terms of our engagement agreed with you, we further report that:
 - i. The Statement of assets and liabilities, as audited, as at half year ended September 30, 2011 and financial years ended March 31, 2011, 2010, 2009, 2008 and 2007 respectively examined by us, as set out in Annexure I to this report, and the Statement of profit and loss, as audited, and the Statement of cash flows, as audited, for the half year ended September 30, 2011 and for the financial years ended March 31, 2011, 2010, 2009, 2008 and 2007 examined by us, as set out in Annexures II and III respectively to this report, read with the Statement of significant accounting policies and Notes on Accounts in Annexure IV. Audit for the financial years ended March 31, 2010, 2009 and 2008 was conducted by **M/s Suri & Co.**, and March 31, 2007 was conducted by **CA. M. Ramakrishnan**. Accordingly reliance has been placed on the financial information examined by them for the said years.
4. The Company has not declared any dividend during the half year ended September 30, 2011 and for the financial years ended March 31, 2011, 2010, 2009, 2008 and 2007.
5. We have also examined the following other financial information set out in the Annexures prepared by the Management and approved by the Board of Directors relating to the Company for the Half year ended September 30, 2011 and for the years ended March 31, 2011, 2010, 2009, 2008 and 2007:
 - a. Statement of accounting ratios - Annexure V
 - b. Statement of disclosure as required by AS – 18 Related Party Relationships – Annexure VI
 - c. Statement of secured loans - in Annexure VII
 - d. Statement of unsecured loans - in Annexure VIII
 - e. Statement of sundry debtors - in Annexure IX
 - f. Statement of loans and advances - in Annexure X
 - g. Statement of other income - in Annexure XI
 - h. Statement of contingent liabilities - in Annexure XII

- i. Statement of capitalisation - in Annexure XIII
 - j. Statement of tax shelters - in Annexure XIV
6. The accounts as given in the enclosed statements do not require any restatement since:
 - a) There have been no adjustments for the changes in accounting policies retrospectively in respective financial years;
 - b) There have been no adjustments for the material amounts in the respective financial years to which they relate.
 7. In our opinion the financial information contained in Annexure V to XIV of this report read along with the Significant accounting policies and Notes on Accounts (refer Annexure IV) has been prepared after making adjustments and regrouping as considered appropriate and have been prepared in accordance with Paragraph B, Part II of Schedule II of the Act and the SEBI Regulations.
 8. The report should not in any way be construed as a re-issuance or re-dating of any of the previous audit reports issued by us.
 9. We have no responsibility to update our report for events and circumstances occurring after the date of the report.
 10. Our report is intended solely for use of the management and for inclusion in the offer document in connection with the proposed rights issue of equity shares of the Company. Our report should not be used, referred to or distributed for any other purpose except with our prior consent in writing.

For **Haribhkati & Co.,**
Chartered Accountants
Firm Registration No. 103523W

Sd/-
C.S.Sathyannarayanan
Partner
Membership No: 028328

Place: Coimbatore
Date: October 31, 2011

Annexure I - Statement of Assets and Liabilities

(₹ in Lacs)

Particulars	Half year ended September 30, 2011	MARCH 31				
		2011	2010	2009	2008	2007
A Fixes Assets						
Gross Block	10,449.98	10,301.19	10,632.56	10,235.06	-	9.66
Less- Depreciation	5,747.21	5,240.98	4,352.52	3,421.81	-	-
Net Block	4,702.77	5,060.21	6,280.04	6,813.25	-	9.66
Capital Work in Progress	21.03	-	10.51	466.12	-	-
Total	4,723.80	5,060.21	6,290.55	7,279.37	-	9.66
B Current Assets, Loans and Advances						
Inventories	1,704.01	1,857.16	1,687.84	1,698.91	-	-
Sundry Debtors	3,211.45	2,716.68	2,965.67	2,784.98	-	-
Cash and Bank Balances	38.79	44.40	34.82	11.07	1.15	0.19
Loans and Advances	147.48	409.82	509.17	768.00	181.11	-
Other Current Assets	207.29	-	-	-	-	-
Total	5,309.02	5,028.06	5,197.50	5,262.96	182.26	0.19
C Liabilities and Provisions						
Secured Loans	6,335.00	5,581.43	5,961.95	7,018.49	-	-
Unsecured Loans	973.97	1,524.71	1,640.18	525.62	-	-
Current Liabilities and Provisions	2,411.12	2,423.93	2,465.41	2,178.40	1.72	0.55
Total	9,720.09	9,530.07	10,067.54	9,722.51	1.72	0.55
D NETWORTH (A + B - C)	312.73	558.20	1,420.51	2,819.82	180.54	9.31
E Represented by						
Share Capital	1,000.01	1,000.01	1,000.01	1,000.01	215.20	10.00
Capital Reserve on Demerger	2,898.85	2,898.85	2,898.85	2,898.85	-	-
Revaluation Reserve on Demerger	-	-	-	40.55	-	-
TOTAL	3,898.86	3,898.86	3,898.86	3,939.41	215.20	10.00
F Misc. expenditure to the extent not written of or adjusted	3,586.13	3,340.66	2,478.35	1,118.99	-	0.08
G Preliminary Expenses	-	-	-	0.60	0.75	0.61
H Pre-operative expenses	-	-	-	-	33.91	-
I NETWORTH (E - F - G -H)	312.73	558.20	1,420.51	2,819.82	180.54	9.31

Annexure II - Statement of Profit and Loss

(₹ in Lacs)

Particulars	Half year ended September 30, 2011	March 31				
		2011	2010	2009	2008	2007
Income						
Sales-						
of products manufactured	6,647.11	12,755.26	10,225.94	9,429.25	-	-
of products traded	-	-	-	-	-	-
Sub-Total	6,647.11	12,755.26	10,225.94	9,429.25	-	-
Other Operational Income	-	-	-	-	-	-
Other Income	75.40	578.86	147.79	170.29	5.10	-
Increase/(decrease) in inventories	14.14	(180.27)	21.54	13.23	-	-
Total	6,736.65	13,153.85	10,395.27	9,612.77	5.10	-
Expenditure						
Raw Material Consumed	3,357.81	6,610.97	5,420.63	5,079.39	-	-
Staff Cost	575.44	1,004.91	743.32	679.84	-	-
Other Manufacturing expenses	1,562.67	3,386.52	2,618.87	2,328.82	-	-
Administrative expenses	198.18	361.32	554.41	240.42	37.33	0.08
Selling and distribution expenses	267.39	568.62	380.30	320.20	-	-
Earnings /(Loss) Before Depreciation, Interest & Tax	775.16	1,221.51	677.74	964.10	(32.23)	(0.08)
Depreciation	506.56	1,052.24	1,072.60	1,065.83	-	-
Interest	514.03	1,031.58	964.47	1,009.76	-	-
Net Loss Before Tax and Extraordinary Items	(245.43)	(862.31)	(1,359.33)	(1,111.49)	(32.23)	(0.08)
Taxation						
- Current Tax	-	-	0.03	7.50	1.60	-
- Deferred Tax	-	-	-	-	-	-
Net Loss before extraordinary items	(245.43)	(862.31)	(1,359.36)	(1,118.99)	(33.83)	(0.08)
Extraordinary items(net of tax)	-	-	-	-	0.08	-
Net Loss after Extraordinary Items	(245.43)	(862.31)	(1,359.36)	(1,118.99)	(33.91)	(0.08)

Annexure III - Statement of Cash Flow

(₹ in Lacs)

Particulars	Half year ended September 30, 2011	March 31				
		2011	2010	2009	2008	2007
Cash flow from operating activities						
Net profit/(Loss) after Tax and Extra ordinary items	(245.43)	(862.31)	(1359.33)	(1111.49)	(32.23)	(0.08)
Adjustments for						
Depreciation	506.56	1052.24	1072.60	1065.83	-	-
Preliminary expense written off	-	-	0.60	0.15	-	-
(Profit) or Loss on sale of assets	0.12	(531.49)	(67.93)	1.50	(0.19)	-
Bad debts written off & Provision for doubtful debts	-	-	237.42	-	-	-
Finance charges	514.03	1031.58	964.46	1009.76	29.80	-
Reinstatement of Debtors and Creditors	(54.72)	-	32.14	-	-	-
Interest income	(5.01)	-	(10.73)	(24.11)	(4.91)	-
Operating profit before working capital changes	715.55	690.02	869.23	941.64	(7.53)	(0.08)
Adjustments for						
(Increase) / Decrease in sundry debtors	(652.67)	248.99	(188.27)	(395.78)	(180.00)	-
(Increase) / Decrease in Inventories	153.14	(169.32)	11.07	195.04	-	-
(Increase) / Decrease in Short term loans and advances	48.92	99.35	-	-	-	-
(Increase) / Decrease in Long term loans and advances	4.68	-	-	-	-	-
(Increase) / Decrease in Current liabilities and short term provisions	136.49	-	-	-	(0.06)	(0.06)
(Increase) / Decrease in Trade payable	64.75	(41.48)	305.66	1145.26	(0.50)	-
Cash generated from operations	470.86	827.56	997.69	1886.16	(188.09)	(0.14)
Income tax paid	-	-	(21.82)	(15.51)	(1.11)	-
Net cash from operating activities (A)	470.86	827.56	975.87	1870.65	(189.20)	(0.14)
Cash flow from Investing activities						
Purchase of Fixed assets	(170.39)	(109.58)	(352.66)	(441.22)	9.85	(9.66)
Proceeds from sale of fixed assets	0.12	819.18	296.26	-	-	-
Interest received	5.01	-	10.73	24.11	4.91	-
Net cash outflow from Investing activities (B)	(165.26)	709.60	(45.67)	(417.11)	14.76	(9.66)
Cash flow from financing activities						
(Repayment) / Proceeds of secured loan						
- Long Term Borrowings	(113.09)	(386.99)	(712.15)	(336.17)	-	-
- Short Term Borrowings	315.91	6.47	-	-	-	-
Unsecured Loans	-	(115.48)	1114.56	365.00	-	-
Working capital borrowings	-	-	(344.40)	(470.33)	-	-



LGB FORGE LIMITED

Particulars	Half year ended September 30, 2011	March 31				
		2011	2010	2009	2008	2007
Interest paid	(514.03)	(1031.58)	(964.46)	(1009.76)	(29.80)	-
Increase in Share capital	-	-	-	-	-	10.00
Extra Ordinary items	-	-	-	-	205.20	-
Net cash used in financing activities (C)	(311.21)	(1527.58)	(906.45)	(1451.26)	175.40	10.00
Net increase in cash and cash equivalents (A) + (B) + (C)	(5.61)	9.58	23.75	2.28	0.96	0.19
Opening Balance	44.40	34.82	11.07	8.79	0.19	-
Closing Balance	38.79	44.40	34.82	11.07	1.15	0.19

Annexure IV - Accounting Policies and Notes on Accounts

A. Statement of significant accounting policies

1. Accounting Convention

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

2. Fixed Assets & Depreciation

- a. Fixed Assets are stated at original cost net of tax / duty credits availed, if any, less accumulated depreciation, accumulated amortization and cumulative impairment. Costs include pre-operative expenses and all expenses related to acquisition and installation of the assets concerned.
- b. Own manufactured assets are capitalized at cost including an appropriate share of overheads.
- c. Depreciation on Plant and Machinery, Motor Cars, Trucks and Vans has been provided on straight-line method at the rates specified in the Schedule XIV of the Companies Act, 1956. Depreciation on tools and Dies are provided on the basis of useful life as determined by the Company. Depreciation in respect of other assets has been calculated on written down value method as per the rates specified in Schedule XIV of the Companies Act, 1956.

Individual assets whose actual cost does not exceed ₹5,000/- are fully depreciated in the year of purchase.

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

- d. As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine;
 - i. the provision for impairment loss, if any, required or;
 - ii. the reversal, if any, required of impairment loss recognised in previous periods. Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

3. Valuation of Inventories

- a. Inventories are valued at lower of cost and estimated net realizable value. Cost is arrived at on weighted average basis.
- b. Excise Duty is added in the Closing Inventory of Finished Goods.
- c. The basis of determining cost for various categories of inventories are as follows:
 - i. Raw Materials, Packing Materials and Stores and spares : Weighted Average basis.
 - ii. Finished Goods and Work-in-Progress: Cost of Direct Material, Labour and other Manufacturing overheads.

4. Revenue Recognition

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

- b. Sale of goods is recognized when the risk and rewards of ownership are passed on to the customers, which is generally on despatch of goods.
- c. Claims made by the Company and those made on the Company are recognized in the Profit and Loss Account as and when the claims are accepted.

5. Foreign Currency Transactions

- a. Foreign currency transactions are recorded at exchange rates prevailing on the date of such transaction.
- b. Foreign currency assets and liabilities at the period end are realigned at the exchange rate prevailing at the year end and difference on realignment is recognized in the Profit & Loss Account.

6. Research and Development

Revenue expenditure on Research and Development is charged under respective heads of account. Capital expenditure on research and development is included as part of fixed assets and depreciated on the same basis as other fixed assets.

7. Employee Benefits

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

8. Borrowing Costs

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

9. Taxes on Income

Current tax on income for the period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961, and based on the expected outcome of assessment / appeals. Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future income will be available against which such deferred tax assets can be realised.

10. Cash Flow Statement

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

11. Leases

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

12. CENVAT/ Service Tax

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

13. Provisions, Contingent Liabilities and Contingent Assets

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

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

14. Accounting Standards

Accounting Standards prescribed under section 211(3C) of the companies Act, 1956 have been followed wherever applicable.

B. Notes forming part of accounts

1. Secured Loans:

- a. The rupee term loan from ICICI Bank is secured by equitable mortgage by deposit of title deeds of immovable properties, the hypothecation of movable fixed assets 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 and Yes Bank are primarily secured by hypothecation of inventories and book debts of the Company, also secured by hypothecation of existing block of assets of the Company excluding those specific machineries charged to Banks/Financial Institutions.
2. Estimated value of contracts remaining to be executed on capital accounts is ₹72.92 Lacs.
3. The Company has not recognized the net deferred tax assets, in respect of accumulated losses and unabsorbed depreciation in view of the virtual uncertainty of availing the benefit in future.
4. The balances in parties accounts are subject to confirmation and reconciliation, if any. In the opinion of the management all current assets including stock- in-trade/sundry debtors and loans and advances in the normal course of business would realize the value at least to the extent stated in the Balance Sheet.



5. 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.

6. Consequent to demerger the Company is in the process of transferring the title deeds in the name of the Company.

7. **Gratuity:**

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

a) **Principal actuarial assumptions (Expressed as weighted averages)**

Particulars	Half year September 30, 2011	FY March 31, 2011
Discount Rate	8.00%	8.00%
Salary Escalation	6.00%	6.00%

b) **Table Showing changes in present value of Obligation As on 30.09.2011**

₹ in Lacs

Particulars	Half year September 30, 2011	FY March 31, 2011
Present value of obligations as at the beginning of the year	33.96	31.33
Interest cost	1.30	2.38
Current Service Cost	5.41	6.13
Benefits Paid	(3.08)	(3.08)
Actuarial (gain) / loss on obligations	(2.51)	(2.81)
Present value of obligations as at end of the year	35.07	33.96

c) **Table Showing changes in fair value of plan assets**

₹ in Lacs

Particulars	Half year September 30, 2011	FY March 31, 2011
Fair value of plan assets at the beginning of the year	43.51	39.19
Expected return on plan assets	1.68	3.16
Contributions	-	3.82
Benefits Paid	(3.08)	(3.08)
Actuarial (gain) / loss on plan assets	-	0.42
Fair value of plan assets at the end of the year	42.12	43.51

d) **Table showing fair value of plan assets**

₹ in Lacs

Particulars	Half year September 30, 2011	FY March 31, 2011
Fair value of plan assets at the beginning of the year	43.51	39.19
Actual return on plan assets	1.68	3.58
Contributions	-	3.82



Particulars	Half year September 30,2011	FY March 31, 2011
Benefits Paid	(3.08)	(3.08)
Fair value of plan assets at the end of the year	42.12	43.51
Funded status	7.04	9.56
Excess of Actual over estimated return on plan assets (Actual rate of return = Estimated rate of return as ARD falls on 31st March)	-	-

e) Actuarial Gain / Loss recognized

₹ in Lacs

Particulars	Half year September 30,2011	FY March 31, 2011
Actuarial (gain) / loss on obligations	(2.51)	(2.81)
Actuarial (gain) / loss for the year - plan assets	-	(0.42)
Actuarial (gain) / loss on obligations	(2.51)	(2.81)
Actuarial (gain) / loss recognized in the year	(2.51)	(3.23)

f) The amounts to be recognized in the balance sheet and statements of profit and loss

₹ in Lacs

Particulars	Half year September 30,2011	FY March 31, 2011
Present value of obligation as at the end of the year	35.07	33.96
Fair value of plan assets as at the end of the year	42.12	43.51
Funded status	7.04	9.56
Net assets / (liability) recognized in balance sheet	7.04	9.56

g) Expenses Recognised in statement of Profit and Loss

₹ in Lacs

Particulars	Half year September 30,2011	FY March 31, 2011
Current Service Cost	5.41	6.13
Interest Cost	1.30	2.38
Expected return on plan assets	(1.68)	(3.16)
Net Actuarial (gain) / loss recognized in the year	(2.51)	(3.23)
Expenses recognised in statement of Profit and Loss	(2.51)	(2.12)

8. The scheme of Arrangement between the company and L.G.Balakrishnan & Bros Limited (Demerged company) for demerger of the forge division into the company with effect from 01.04.2008 (the appointed date) was approved by Hon'ble High Court of Madras vide its order dt. April 21, 2008.

Pursuant to the approval of the scheme of Arrangement:

- the company issued one equity share of ₹1/- each for every one Equity of ₹1/- each held in the Demerged company as consideration to the eligible shareholders of Demerged company. Consequently 7,84,81,034 new shares have been allotted increasing the Issued and Paid up capital of the company to ₹1000.01 lacs.
- all assets and liabilities of the demerged undertaking except land and building of Bangalore branch have been transferred to and vested into the company at book value with effect from the Appointed Date.



- c) The excess of the difference of the said assets and liabilities of the Demerged undertaking over the Paid up value of shares allotted has been credited to Capital Reserve.

9. Managerial Remuneration :

₹ in Lacs

Particulars	September 30, 2011	March 31				
		2011	2010	2009	2008	2007
P S Balasubramanian* Managing Director	-	-	20.61	24.00	-	-
Vijayakumar Rajvirdhan Executive Director	8.40	16.80	2.80	-	-	-

* Resigned with effect from January 28, 2010

10. Auditor's Remuneration

₹ in lacs

Particulars	September 30, 2011	March 31				
		2011	2010	2009	2008	2007
Auditor's Remuneration (Net of Service Tax)	1.50	3.28	2.46	2.00	0.06	0.05

11. Details of Foreign Currency Transactions

₹ in lacs

Particulars	September 30, 2011	March 31				
		2011	2010	2009	2008	2007
Expenditure in Foreign Currency (on payment basis)	61.12	113.05	26.63	71.38	-	-
Value of Imports calculated on CIF Basis	2.49	4.32	4.94	6.79	-	-
Earnings in Foreign Exchange	688.95	1143.73	1083.68	977.41	-	-

12. Quantitative Particulars

a. Cold Forged Products

₹ in Lacs

Particulars	September 30, 2011	March 31				
		2011	2010	2009	2008	2007
Licensed Capacity (Nos.)	N.A	N.A	N.A	N.A	N.A	N.A
Installed Capacity (Strokes)	200	200	200	240	-	-
Opening stock (Nos.)	0.33	0.21	0.85	0.81	-	-
Production (Nos.)	40.14	84.65	70.53	59.39	-	-
Closing Stock (Nos.)	0.03	0.33	0.21	0.85	-	-
Turnover (Nos.)	40.44	84.53	71.17	59.35	-	-
Turnover (in ₹ Lacs)	1838.62	3575.12	2679.50	2315.21	-	-

b. Hot & Warm Forged Products

₹ in Lacs

Particulars	September 30, 2011	March 31				
		2011	2010	2009	2008	2007
Licensed Capacity (Nos.)	N.A	N.A	N.A	N.A	N.A	N.A
Installed Capacity (Tonnes)	90.00	90.00	0.13	0.13	-	-
Opening stock (Nos.)	0.40	0.30	12.01	9.57	-	-
Production (Nos.)	35.59	53.46	36.30	52.25	-	-
Closing Stock (Nos.)	0.17	0.40	0.30	12.01	-	-
Turnover (Nos.)	35.82	53.36	48.01	49.81	-	-
Turnover (in ₹ Lacs)	4,320.54	7,686.43	6,884.64	7,075.39	-	-

Annexure V - Statement of Accounting Ratios

Particulars	September 30, 2011	March 31				
		2011	2010	2009	2008	2007
EPS (₹)	(0.25)	(0.86)	(1.36)	(1.12)	(0.16)	(0.08)
NAV (₹)	0.31	0.56	1.42	2.78	0.84	9.31
RONW (%)	(78.48)	(154.48)	(95.70)	(39.68)	(18.78)	(0.86)
Weighted Average No. of Equity Shares	100,001,034	100,001,034	100,001,034	100,001,034	21,520,000	100,000
FV of equity shares (₹)	1.00	1.00	1.00	1.00	1.00	10.00

Particulars	Formula
1. EPS (₹)	$\frac{\text{Net profit attributable to equity shareholders}}{\text{Weighted Average number of equity shares outstanding during the period}}$
2. NAV (₹)	$\frac{\text{Net worth excluding revaluation reserve at the end of the period/year}}{\text{Weighted average number of equity shares outstanding during the period}}$
3. RONW (%)	$\frac{\text{Net profit attributable to Equity shareholders}}{\text{Net worth excluding revaluation reserve at the end of the period/year}}$



Annexure VI - Statement of Disclosure as required by AS 18 –Related Party Relationships

Related Party Disclosures (As identified by the management and relied upon by Auditors)

Name of related parties and nature of relationship where control exists are us under:

I Associate Companies

1. L.G.Balakrishnan & Bros Limited
2. ELGI Automotive Service Private Limited
3. L.G.B Auto Products Private Limited
4. LG Farm Products Private Limited
5. L.G.Balakrishnan & Bros – Karur
6. LG Sports Limited
7. Super Speed Private Limited
8. Super Transports Private Limited
9. Silent Chain India Private Limited
10. LGB Fuel Systems Private Limited
11. BCW V Tech India Private Limited
12. Rolon Fine Blank Limited
13. LGB Rolon Chain Limited
14. South Western Engineering India Limited
15. Vijayashree Spinning Mills Private Limited

II Key Management Personnel

Mr. Vijayakumar Rajvirdhan

III Relatives of Key Management Personnel

Mr. Vijayakumar Rajvirdhan and his Relatives

Associate Companies

Nature of Transactions	September 30, 2011	March 31				
		2011	2010	2009	2008	2007
ICDs Given	-	-	40.60	180.00	-	-
- Opening balance						
Add : Amount Given	-	-	-	-	180.00	-
Less: Amount Received Back	-	-	40.60	139.40	-	-
ICDs - Closing balance	-	-	-	40.60	180.00	-
ICL - Opening balance	456.67	490.00	365.00	-	-	-
Add: Loan Receipts	-	1700.00	175.00	365.00	-	-
Less: Loan Payment	16.67	1733.33	50.00	-	-	-
ICL - Closing balance	440.00	456.67	490.00	365.00	-	-
Interest Payment	25.33	123.21	63.41	1.10	-	-
Interest Receipts	-	-	2.08	11.02	4.91	-
Rent Receipts	3.67	11.79	18.26	6.07	-	-
Rent Payments	19.75	20.90	-	-	-	-
DEPB Receipts	53.31	33.67	-	-	-	-
Wind mill unit transfer	-	2.23	-	-	-	-
Purchase of Power, Spares, Processing/ Conversion, Service charges payment	233.95	533.26	409.18	149.08	-	-



Nature of Transactions	September 30, 2011	March 31				
		2011	2010	2009	2008	2007
Sale of Power, Stores, Materials and Service Charges	151.46	529.66	564.34	150.53	-	-
Sale of Asset	-	819.78	332.70	-	-	-
Lease charges Receipts	-	-	43.49	37.91	-	-
Lease charges payments	19.89	28.18	18.68	0.10	-	-
Amount payable as on closing date	-	90.94	661.79	1084.13	-	-
Amount receivable as on closing date	-	-	17.01	104.68	-	-

Key Managerial Personnel

₹ in Lacs

Nature of Transactions	September 30, 2011	March 31				
		2011	2010	2009	2008	2007
Managerial Remuneration	8.40	16.80	23.41	24.00	-	-
ICL - Opening balance	33.00	30.00	-	-	-	-
Loan Receipts	-	3.00	30.00	-	-	-
Loan Payment	3.00	-	-	-	-	-
ICL - Closing balance	30.00	33.00	30.00	-	-	-
Interest Payment	1.56	2.92	0.97	-	-	-
Amount payable as on closing date	30.00	33.00	30.00	-	-	-
Amount receivable as on closing date	-	-	-	1.58	-	-

Relatives of key managerial personnel

₹ in Lacs

Nature of Transactions	September 30, 2011	March 31				
		2011	2010	2009	2008	2007
ICL - Opening balance	365.00	470.00	-	-	-	-
Add: Loan Receipts	22.00	11.00	470.00	-	-	-
Less: Loan Payment	42.00	8.00	-	-	-	-
ICL - Closing balance	345.00	473.00	470.00	-	-	-
Fixed Deposit - Opening balance	108.00	-	-	-	-	-
Add: Receipts	-	-	-	-	-	-
Less: Payments	50.00	-	-	-	-	-
Fixed Deposit - Closing balance	58.00	-	-	-	-	-
Interest Payment	21.72	49.19	22.50	-	-	-
Amount payable as on closing date	345.00	473.00	470.00	-	-	-
Amount receivable as on closing date	-	-	-	-	-	-



Annexure VII - Statement of Secured Loans

₹ in lacs

Particulars	September 30, 2011	March 31				
		2011	2010	2009	2008	2007
Term loans from banks	4000.00	3689.68	4076.67	4788.82	-	-
Working capital borrowings	2335.00	1891.75	1885.28	2229.67	-	-
Total	6335.00	5581.43	5961.96	7018.49	-	-

The security given for the above loans as on September 30, 2011 is as follows:

Term Loans from Banks

Name of bank/ institution	Balance outstanding as at September 30, 2011 (₹ in Lacs)	Rate of interest (%)	Prepayment terms	Penalty/ interest	Repayment terms	Securities offered
ICICI Bank Ltd	4000.00	13.25	Not applicable	N/A	Repayment starts from June 2013 (16 equal quarterly instalment)	Movable & Immovable Fixed Assets situated at Mysore Unit / Kovil Palayam/ Pillaiappam Palayam Unit

Working Capital Borrowings

₹ in Lacs

Name of bank/ institution	Balance outstanding as at September 30, 2011	Sanctioned limits	Rate of interest (%)	Securities offered
Axis Bank	355.70	400.00	13.25	Hypothication of Inventories & book Debts both present & future Corporate guarantee given by L G Balakrishnan & Bros Ltd
Corporation Bank	354.55	600.00	14.50	- Do -
ICICI Bank Ltd	334.99	600.00	14.25	- Do -
IDBI Bank Ltd	422.16	700.00	14.75	- Do -
Andhra Bank	617.60	800.00	14.75	- Do -
Yes Bank	250.00	500.00	12.50	- Do -
Total	2335.00	3600.00		



Annexure VIII - Statement of Unsecured loans

₹ in Lacs

Particulars	September 30,	March 31				
	2011	2011	2010	2009	2008	2007
ICDs	440.00	456.67	490.00	365.00	-	-
Unsecured loans from Promoter - Mr B Vijaya Kumar	95.00	95.00	100.00	-	-	-
Unsecured loans from Directors:						
Mr Rajiv Parthasarathy	250.00	250.00	250.00	-	-	-
Mr Raj Virdhan	30.00	33.00	30.00	-	-	-
Mrs Raj Sri	-	20.00	20.00	-	-	-
Sales Tax deferral	100.97	118.71	150.18	160.62		
Fixed Deposit	58.00	108.00	100.00	-	-	-
Unsecured Loan from Bank - Yes Bank Ltd	-	443.33	500.00	-	-	-
Total	973.97	1524.71	1640.18	525.62	-	-

ICDs

Name of the company	Balance outstanding as at September 30, 2011 (₹ in Lacs)	Rate of interest (%)	Repayment terms
Silent Chain India Pvt Ltd	340.00	11.00	N/A
Vijay Shree Spinning Mills Pvt Ltd	100.00	14.00	8.33 lacs every quarter end.
Total	440.00		



Annexure IX - Statement of Sundry Debtors

₹ in Lacs

Particulars	September 30, 2011	March 31				
		2011	2010	2009	2008	2007
Unsecured Considered Good						
a) Outstanding for period exceeding six months	51.46	91.41	165.67	1266.84	-	-
b) Others	3159.99	2625.27	2800.10	1518.14	-	-
	3211.45	2716.68	2965.67	2784.98	-	-
Unsecured considered doubtful	47.46	17.10	27.08	-	-	-
Less : Provision for Doubtful Debts	(47.46)	(17.10)	(27.08)	-	-	-
Total	3211.45	2716.68	2965.67	2784.98	-	-

Annexure X - Statement of Loans & Advances

₹ in Lacs

Particulars	September 30, 2011	March 31				
		2011	2010	2009	2008	2007
Advances recoverable in cash or in kind or for value Balances with Government authorities	55.83	55.16	42.07	300.10	180.00	-
Balances with Government authorities	91.23	215.08	291.56	321.15	-	-
Deposits	0.42	96.33	140.54	125.15	-	-
Prepaid Expenses	-	7.17	5.69	4.98	-	-
Tax payment pending Adjustments	-	36.08	29.31	16.62	1.11	-
Total	147.48	409.82	509.17	768.00	181.11	-

Annexure XI - Statement of Other Income

₹ in Lacs

Particulars	September 30, 2011	March 31				
		2011	2010	2009	2008	2007
Interest Received	5.01	-	10.73	24.11	4.91	-
Rent Received	3.67	11.79	52.09	43.97	-	-
Sundry Income	-	-	5.55	8.57	-	-
Foreign exchange gain (Net)	54.72	1.91	-	80.47	-	-
DEPB Claim	-	33.67	11.49	13.17	-	-
Profit on sale of Asset	-	531.49	67.93	-	0.19	-
Provision no longer required written back	12.00	-	-	-	-	-
Total	75.40	578.86	147.79	170.29	5.10	-

Annexure XII - Statement of Contingent Liabilities

₹ in Lacs

Particulars	September 30, 2011	March 31				
		2011	2010	2009	2008	2007
Guarantee given by Bankers and outstanding	150.00	150.00	101.30	153.00	-	-
Amounts outstanding on letters of Credit	-	-	703.64	35.97	-	-
Total	150.00	150.00	804.94	188.97	-	-



Annexure XIII - Statement of Capitalisation

₹ in Lacs

Particulars	Pre Issue as at September 30, 2011	As Adjusted for Issue
Borrowings		
Short term debt * (A)	2351.00	1005.99
Long Term debt (B)	4957.97	4957.97
Total Debts (A + B = C)	7308.97	5963.96
Shareholder's Funds		
Share capital	1000.01	1500.02
Reserves	2898.85	2898.85
Share Premium	-	875.09
Debit balance in Profit & Loss A/c	(3586.13)	(3586.13)
Total Shareholder's Fund (D)	312.73	1687.83
Long Term Debt/ Equity Ratio (B/D)	15.85 : 1	2.94 : 1
Total Debt/Equity Ratio (C/D)	23.37:1	3.53:1

* - Short term debts are debts maturing within the next one year from the date of above statement.

Annexure XIV - Statement of Tax Shelters

₹ in lacs

Particulars	September 30, 2011	March 31				
		2011	2010	2009	2008	2007
Profit/(Loss) before tax and after extra ordinary items (A)	(245.43)	(862.31)	(1359.33)	(1111.49)	(32.23)	(0.08)
Tax Rates (%)	30.90%	30.90%	30.90%	30.90%	30.90%	30.90%
Tax at notional rate on profit	(75.84)	(266.45)	(420.03)	(343.45)	(9.96)	(0.02)
Other Adjustment :						
Permanent Difference (B)	-	1.15	109.11	-	-	-
Timing Difference						
Difference between tax depreciation and book depreciation	56.35	378.29	201.59	104.40	-	-
Sec. 43 B Items	0.48	2.91	3.62	33.11	-	-
Other Adjustments	-	(541.62)	(18.36)	4.21	-	-
Total Timing Difference (C)	56.83	(160.42)	186.85	141.72	-	-
Net Adjustment (B+C)	56.83	(159.27)	295.96	141.72	-	-
Profit/ (Loss) as per Income Tax Returns (A+B+C)	(188.60)*	(1021.58)	(1063.37)	(969.77)	(32.23)	(0.08)
Brought forward business loss set off		-	-	-	-	-
Brought forward depreciation loss set off		-	-	-	-	-
Taxable Income		-	-	-	-	-
Total Taxation		-	-	-	-	-
Taxation on Extraordinary Items		-	-	-	-	-
Tax on profit before extraordinary items		-	-	-	-	-

* - The Income tax return will be filed only for the full year ended March 31, 2012. To facilitate reconciliation, the above figures (under September 30, 2011) are provided based on audited financials of half year ended September 30, 2011.



CERTAIN OTHER FINANCIAL INFORMATION

In accordance with circular no. F.2/5/SE/76 dated February 5, 1977 issued by the Ministry of Finance, Government of India, as amended by Ministry of Finance, Government of India through its circular dated March 8, 1977, the information required to be disclosed for the period between the last date of financial statements provided to the shareholders and the date preceding one month from the date of Draft Letter of Offer is provided below:

1. Working Results of our Company for the period from October 1, 2011 to October 31, 2011

Sr.No.	Particulars	Amount (₹ in Lacs)
1.	Sales / turnover	942.39
2.	Other income	6.84
3.	Total income	949.23
4.	PBIDT	88.61
5.	Interest & Finance Charges	104.33
6.	Provision for Depreciation	85.11
7.	Provision for Tax	-
8.	Profit / (Loss) after Tax	(100.83)

2. Material changes and commitments, if any, affecting the financial position of our Company

In the opinion of our Board, there have not arisen since the date of the last financial statements disclosed in the Letter of Offer, any circumstances that materially or adversely affect or are likely to affect our profitability taken as a whole or the value of our assets or our ability to pay our material liabilities within the next 12 months otherwise than as disclosed in the Letter of Offer which will impact our performance and prospects.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

You should read the following discussion of our financial condition and results of operations together with our audited financial information for FY 2009, FY 2010 and FY 2011 and for the half year ended September 30, 2011 including the notes thereto and the reports thereon, which are included in this Letter of Offer. Our audited financial information is prepared in terms of the requirements of Paragraph B, Part II of Schedule II of the Companies Act and the SEBI Regulations. You should also read the sections titled "Risk Factors" and "Forward-Looking Statements" on page ix and page viii, respectively, of this Letter of Offer which discuss a number of factors and contingencies that could impact our financial condition and results of operations.

Overview of the Business

We are engaged in the manufacture and sale of forged and machined components in India, Europe and the United States. We manufacture auto, electrical, and transmission forged components for the original equipment manufacturers for automobiles. We also supply products to non-automotive segments like valve Industry and infrastructure equipment industry. We have three state-of-art manufacturing units one in Mysore and other two in Coimbatore.

Our Company has various divisions for forged products, viz., cold, hot and warm, and hot. We supply our products to all the reputed companies in India as well as select customers abroad.

Our Company was incorporated as a public limited company on June 7, 2006. In March 2008, as per the scheme of arrangement, the entire business and assets of forging unit of L.G.Balakrishnan & Bros Ltd was de-merged and transferred to our Company with effect from April 1, 2008.

From August 1, 2008, the Equity Shares of our company were listed on BSE and NSE.

For Fiscal Year 2010 and Fiscal Year 2011 our total income was ₹ 10,225.94 lacs and ₹ 12,755.26 lacs respectively. For the same periods our net loss after tax was ₹ 1,359.36 lacs and ₹ 862.31 lacs respectively.

Rationale for scheme of arrangement

Prior to the scheme of arrangement, L.G. Balakrishnan & Bros Limited was engaged in business areas of automotive & industrial transmission, forging and fine blanking, which in FY 2007-08 accounted for 55%, 15% and 18% of total revenue respectively. It was considered necessary to provide focused attention to each of the businesses which are distinct from each other. The said scheme was aimed at having administrative convenience of both the entities carrying out separate businesses.

Significant developments subsequent to the date of the last financial statement as disclosed in this Letter of Offer

Our Board of Directors are of the opinion that no circumstances have arisen since September 30, 2011 (i.e., the date of the last financial statement as disclosed in the Letter of Offer) which have materially and adversely affected or are likely to affect, our operations or profitability, or the value of our assets or our ability to pay our material liabilities within the next 12 months.

Factors that may affect results of the Operations

The following important factors could cause actual results to differ materially from the expectations include among others:

- General economic and business conditions;
- Company's ability to successfully implement its strategy and its growth and expansion plans;



- Factors affecting industrial activity;
- Increasing competition in the industry;
- Increases in labour costs, raw materials prices, prices of plant & machineries and insurance premia;
- Mechanical problems with Company's plants & machineries or incidents caused by human error;
- Changes in the value of the Indian rupee and other currencies;
- Cyclical or seasonal fluctuations in the operating results;
- Changes in laws and regulations that apply to the industry;
- Changes in fiscal, economic or political conditions in India;
- Social or civil unrest or hostilities with neighboring countries or acts of international terrorism;
- Changes in the foreign exchange control regulations, interest rates, and tax laws in India.

Discussion on Results of Operations for the half year ended September 30, 2011

Summary of Revenues, Expenses, and Profitability

Particulars	Half year ended September 30, 2011	
	₹ in Lacs	
Income from manufacturing	6,647.11	
Other Income	75.40	
Increase/ (decrease) in inventories	14.14	
Total Income	6,736.65	
Raw Material Consumed	3,357.81	
Other Manufacturing Expenses	1,562.67	
Staff Costs	575.44	
Administration Expenses	198.18	
Selling & Distribution Expenses	267.39	
Finance Charges	514.03	
Depreciation	506.56	
Total Expenditure	6,982.08	
Profit before Tax	(245.43)	
Tax		
Current	-	
Deferred	-	
Profit after Tax	(245.43)	

The first half year of FY 2011-12 witnesses a marginal growth in demand thus leading in marginal growth in levels of our utilization. During the six months period ended September 30, 2011, our total income stood at ₹ 6, 722.51 Lacs. The period being discussed here, also witnessed rise in prices of steel thus leading to increase in the cost of production. Our overall expenditure during the period stood at ₹ 6,982.08 lacs resulting in a net loss of ₹ 245.43 lacs.

Discussion on Results of Operations for last 3 financial years

The following discussion on the financial operations and performance should be read in conjunction with the audited financial results of the company for the FY 2008, 2009, 2010 and 2011 respectively.

Summary of Revenues, Expenses, and Profitability

Particulars	Audited			
	₹ in Lacs			
	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Income from manufacturing	-	9,429.25	10,225.94	12,755.26
Other Income	5.10	170.29	147.79	578.86
Increase/ (decrease) in inventories	-	13.23	21.54	(180.27)
Total Income	5.10	9,612.77	10,395.27	13,153.85

Particulars	Audited			
	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Raw Material Consumed	-	5,079.39	5,420.63	6,610.97
Other Manufacturing Expenses	-	2,328.82	2,618.87	3,386.52
Staff Costs	-	679.84	743.32	1004.91
Administration Expenses	37.33	240.42	554.41	361.32
Selling & Distribution Expenses	-	320.20	380.30	568.62
Finance Charges	-	1,009.76	964.47	1,031.58
Depreciation	-	1,065.83	1,072.60	1,052.24
Total Expenditure	37.33	10,724.26	11,754.60	14,016.16
Profit before Tax	(32.23)	(1,111.49)	(1,359.33)	(862.31)
Tax				
Current	1.60	7.50	0.03	-
Deferred	-	-	-	-
Profit after Tax	(33.83)	(1,118.99)	(1359.36)	(862.31)

Comparison of performance for FY 2011 with FY 2010

Total Income

During the FY 2011, the total income was ₹13,153.85 Lacs as compared to ₹10,395.27 Lacs for FY 2010, an increase of 26.54%. Due to increased demand in the industry for our products, we increased our installed forging capacity. Our capacity utilization levels have also improved over the last year. Both these factors contribute to higher volumes produced and thereby higher income from manufacturing activity. Apart from that, we have earned profit on sale of our land and building at our Kovilpalayam plant amounting to ₹530.65 Lacs.

Expenditure

Our expenditure on raw material consumption increased to ₹6,610.97 lacs in FY 2011 from 5,420.63 in FY 2010, i.e., an increase of 21.96% mainly on account of increase in the capacity utilization levels as also increase in production led by increase in demand of our products.

Our other manufacturing expenses increased from ₹2,618.87 Lacs in FY 2010 to ₹3,386.52 Lacs in FY 2011, an increase of 29.31%. This increase was mainly on account of the increase in the production due to increase in the capacity thereby leading to increase in production.

Our expenditure on selling and distribution increased from ₹ 380.30 Lacs in FY 2010 to ₹568.62 Lacs in FY 2011, an increase of 49.52%. This was due to increase in our export sales which rose from ₹ 1,172.98 Lacs in FY 2010 to ₹1,376.28 Lacs in FY 2011. Due to increase in the fuel price, transporters had drastically increased their freight rates which resulted in an increase in the outward freight.

The other operating expenses (i.e., administration expenses and staff costs) marginally increased by 5.28% in FY 2011 compared to FY 2010, mainly due to increase in our productivity, effective utilization of manpower and other administrative expenses.

Finance Charges

Finance charges for FY 2011 were ₹1,031.58 Lacs compared to ₹964.47 Lacs for FY 2010, a marginal increase of 6.96%. This was due to capacity additions which led to increase in production.

Depreciation

The depreciation for FY 31.3.2011 was ₹1,052.24 Lacs compared to ₹1,072.60 Lacs for FY 31.3.2010, a decrease of around 1.90 %. This decrease was mainly on account of deletion of fixed assets like land &



building of our Kovilpalayam plant during 2010-11.

Net Loss

The net loss for FY 2011 was ₹862.31 Lacs compared to ₹1,359.33 Lacs for FY 2010 leading to a decrease of 36.56%. This was mainly due to increase in our capacity expansion which led to increase in production thereby leading to higher sales revenues and at the same time, achieving economies of scale, apart from our sale of fixed assets during 2010-11.

Comparison of performance for FY 2010 with FY 2009

Total Income

During the FY 2010, there was a marginal increase in total income by 8.14% at ₹ 10,395.27 Lacs as against ₹ 9,612.77 Lacs during FY 2009, mainly on account of increase of sales realization by our customers.

Expenditure

Due to marginal increase in our production levels because of marginal increase in demand, our expenditure on raw material consumption increased marginally by 7.00% to ₹5,420.63 lacs in FY 2010 from 5,066.16 lacs in FY 2009.

Our other manufacturing expenses also increased marginally by 12.45% to ₹2,618.87 Lacs in FY 2010 from ₹ 2,328.82 Lacs in FY 2009.

Given the fact that there was marginal increase in our production levels and no major growth in the demand for our products, the other expenses i.e., selling & distribution expenses and staff costs grew marginally by 18.77% and 9.34% respectively.

Finance Charges

Finance charges for FY 2010 were at ₹ 964.47 Lacs compared to ₹1, 009.76 Lacs for FY 2009. This decrease was due to effective utilization of working capital loans.

Depreciation

The depreciation for FY 2010 was ₹1,072.60 Lacs compared to ₹1,065.83 Lacs for FY 2009, a marginal increase of 0.64%. This increase was mainly on account of addition in our Gross Block on account of increasing our CNC machines at our Pillaiappampalayam plant for machining operation.

Net Loss

The net loss for FY 2010 was higher at ₹1,359.33 Lacs as against ₹1,111.49 Lacs during FY 2009 due to increase in rental charges on machinery, foreign currency loss on our export sales, bad debts written off.

Comparison of performance for FY 2009 with FY 2008

During FY 2009, our Company started manufacturing activity of forging which led the total income of the company to be at ₹ 9,612.77 lacs as compared to a nominal income of ₹5.10 lacs as our Company did not pursue any business activity in FY 2008. Our Company incurred a net loss of ₹ 1,118.99 lacs as against the net loss of ₹ 33.83 lacs in FY 2008 which was due to the cost incurred towards the administration.

An analysis of reasons for the changes in significant items of income and expenditure is given hereunder:

1. Unusual or infrequent events or transactions

There have been no events to the best of our knowledge, other than as described as above, which may be called “unusual” or “infrequent”.

2. Significant economic changes that materially affected or are likely to affect income from continuing operations

Government’s focus on forging will have major bearing on the companies involved in automotive components sector. Any major changes in the policies of the Government may have significant impact on our profitability as applicable to automotive components industry.

3. Future changes in relationship between costs and income

Our company does not see substantial increase in other operating costs which include stores & spares, other manufacturing and administrative costs, employee remuneration and benefits etc. related to the product except that raw material prices and the price to procure LDO may go up in near future due to rise in prices of steel, crude etc. However, any increase in raw material prices or price to procure LDO would be duly covered in the price of the product. Since electrical power situation in Tamil Nadu is not good, it may increase our manufacturing if we go for other alternatives.

4. The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices

The increase in revenues is mainly due to increased sales volume as well as increased sales prices due to more value added products. The company mainly caters to automotive components industry by supplying machined products. The demand for these products varies across customer segments and thus we need to introduce new products or services as and when demanded by our clients.

5. Status of any publicly announced new products or business segments

There are no new products or business segments.

6. Seasonality of Business

The business in which our company is engaged is not seasonal.

7. Any significant dependence on a single or few suppliers or customers

We are not dependent on single or few suppliers or customers.

8. Competitive Conditions

We face competition in the forgings sector from existing and potential competitors which is common for any business. We have, over a period of time, developed certain competitive strengths which have been discussed in section titled “Business Overview” on page 46.



MARKET PRICE INFORMATION

The high, low and average market prices of the Equity Shares of face value of ₹ 1/- each during the preceding three years were recorded, as stated below:

BSE							
Fiscal Year	Date of High	High (₹)	Volume on date of High (No. of Shares)	Date of Low	Low (₹)	Volume on Date of low (No. of Shares)	Average (₹)
2011	October 28, 2010	4.23	139,556	June 22, 2010	2.60	25,908	3.18
2010	December 22, 2009	3.58	165,802	April 6, 2009	1.47	2,575	2.59
2009	August 1, 2008	4.95	4,887,125	March 13, 2009	1.26	6,066	2.10

Source: www.bseindia.com

NSE							
Fiscal Year	Date of High	High (₹)	Volume on date of High (No. of Shares)	Date of Low	Low (₹)	Volume on Date of low (No. of Shares)	Average (₹)
2011	October 29, 2010	4.45	43,016	June 22, 2010	2.60	26,841	3.18
2010	December 22, 2009	3.60	199,878	April 1, 2009	1.45	3,050	2.59
2009	August 1, 2008	5.40	6,228,627	March 12, 2009	1.30	7,887	2.12

Source: www.nseindia.com

Notes

- High, low and average prices are of the daily closing prices.
- In case of two days with the same closing price, the date with higher volume has been considered.

Monthly high and low prices and trading volumes on the Stock Exchanges for the six months preceding the date of filing of the Letter of Offer is as stated below:

BSE							
Month	Date	High (₹)	Volume (No. of Shares)	Date	Low (₹)	Volume (No. of Shares)	Average (₹)
November 2011	8 th	3.06	3,160	28 th	2.52	1,090	2.76
October 2011	14 th	3.20	28,725	3 rd	2.57	15,901	2.98
September 2011	7 th	3.08	53,658	27 th	2.45	10,658	2.68
August 2011	2 nd	2.82	24,440	26 th	2.21	19,334	2.55
July 2011	20 th	3.12	20,310	11 th	2.63	406	2.80
June 2011	8 th	3.14	138,757	2 nd	2.68	6,851	2.89

Source: www.bseindia.com

NSE							
Month	Date	High (₹)	Volume (No. of Shares)	Date	Low (₹)	Volume (No. of Shares)	Average (₹)
November 2011	3 rd	3.05	2,971	24 th	2.60	5,362	2.76
October 2011	20 th	3.15	851	3 rd	2.70	100	3.00
September 2011	7 th	3.10	101,261	22 nd	2.45	22,765	2.71
August 2011	2 nd	2.80	19,301	26 th	2.20	82,454	2.55
July 2011	20 th	3.15	36,158	4 th	2.65	5,393	2.83
June 2011	21 st	3.05	35,572	2 nd	2.65	10,566	2.90

Source: www.nseindia.com

Notes

- High, low and average prices are of the daily closing prices.
- In case of two days with the same closing price, the date with higher volume has been considered.

Closing market price on the date of the Board resolution of approving the Issue

The closing prices of Equity Shares as on October 3, 2011 (the trading day immediately following the day on which the Board resolution was passed approving the Rights Issue) and on October 31, 2011 (the trading day immediately following the day on which the members of our Company at the EGM authorized the Rights Issue) on BSE and the NSE were as under:

Date	BSE (₹)	NSE (₹)
October 3, 2011	2.57	2.70
October 31, 2011	3.02	3.10

FINANCIAL INDEBTEDNESS

Secured Loans

Name of the lender and date of the loan agreement	Purpose of the loan	Amount sanctioned (in ₹ Lacs)	Amount availed and outstanding on September 30, 2011 (in ₹ Lacs)	Security	Repayment Date/Schedule	Present rate of Interest (% per annum)
1. ICICI Bank Limited Term loan agreement dated March 23, 2011	Takeover / refinance of the entire loan outstanding & Axis Bank & Yes Bank	4,000.00	4,000.00	The whole of the movable properties including its movable plant and machinery, machinery spares, tools and accessories and other movable (save and except current assets), both present and future located at Delagola Industrial Area, Hebbal Village, Mysore (Hot Forging nit), Pillaiappanpalayam, Coimbatore (Hot and Warm Forging Unit) and Kodayampalayam, Coimbatore, (Cold Forging Unit) <u>Modification on 19.05.2011</u> Mortgage by deposit of title deeds in respect of immovable properties for its term loan of ₹4000.00 lacs situate at (1) Kariyampalayam Village, Pillaiappanpalayam, Coimbatore and (2) Hebbal Village, Kasaba Hobli Mysore in Karnataka in order to create a security thereon and by way of mortgage by deposit of title deeds	16 equal quarterly instalment commencing from Apr 2013	13.25
2. IDBI Bank Limited Loan agreement dated December 12, 2008	Working Capital facility	Fund based 700.00 Non Fund based 500.00	422.16	Pari passu First charge over the current assets of the company. Collateral – Second pari passu Charge over the fixed assets of the company except those that are exclusively charged to term lenders.	Renewal Every Year	15.25
3. Andhra Bank Loan agreement dated August 10, 2008	Working Capital facility	800.00	617.60	Pari passu first charge on all current assets of the company such as stock of raw Materials, semi finished goods, finished goods, Packing materials and Book Debts. <u>Modification :-10.10.2008</u> Modification by way of including Pari-passu Second charge on the fixed assets of the company (forging Division) with WDV of ₹ 8077.38 Lacs as per Audited balance Sheet as at 31.03.2008. the term loans Outstanding for the forging division is ₹ 5633.12 Lacs. The residual value is ₹ 2444.26 Lacs, available for second Charge.	Renewal Every Year	15.00
4. Corporation Bank Loan agreement dated September 18, 2008	Working Capital facility	600.00	354.55	Pari passu first charge on the entire stock of raw materials , work in process, finished goods including goods held for exports, stores & spares, Book debts and other chargeable current assets of the Company.	Renewal Every Year	15.75



LGB FORGE LIMITED

Name of the lender and date of the loan agreement	Purpose of the loan	Amount sanctioned (in ₹ Lacs)	Amount availed and outstanding on September 30, 2011 (in ₹ Lacs)	Security	Repayment Date/Schedule	Present rate of Interest (% per annum)
				Pari passu second charge on the entire fixed assets of the Company. Collateral: Pari Pasu second charge on the entire fixed assets of the Company along with other banks under MBA (First charge being given to the Term Lenders)		
5. Axis Bank Limited Loan agreement dated September 4, 2008	Working Capital facility	Cash Credit – 400.00 Letter of Credit – 500.00	Cash Credit – 355.70 Letter of Credit – 121.56	Hypothecation of entire current assets of the Company existing and proposed plant & machinery of the Company is hypothecated in favour of the bank to secure the aforesaid credit facilities. <u>Modification dated 01.02.2001</u> Amendment Cum Link Agreement dated 01.02.2011 As per RBI Mandate interested calculated in relation to base rate in the place of Prime lending rate.	Renewal Every Year	14.75
6. ICICI Bank Limited Loan agreement dated March 22, 2011	Working capital facility	600.00	334.99	First Charge by way of hypothecation of the Company's entire stocks of raw materials, semi finished and finished goods, consumables stores and spares and such other moveable including book debts, bills whether documentary or clean, outstanding monies, receivables, both present and future, in a form and manner satisfactory to the bank, ranking pari passu with other participating banks. <u>Modification dated 04.09.2008</u> Overall existing limit enhanced from ₹ 200 lacs to ₹ 900 lacs as follows Cash Credit, EPC/ PCFC, FUBD/ FBP and PSCFC, line of credit enhanced from ₹ 200 lacs to ₹ 600 lacs and Letters of credit, Buyer's credit, bank Guarantee, enhanced from ₹ 0 to ₹ 300 lacs	Renewal Every Year	14.80
7. Yes Bank Limited Loan Agreement Dated: 26.03.2010	Working capital facility	500.00	250.00	Secured by hypothecation of inventories and book debts of the Company.	180 days	12.50



Unsecured Loans

Name of the lender	Purpose of the loan	Amount availed and outstanding on October 31, 2011 (in ₹ Lacs)	Repayment Date/ Schedule	Rate of Interest (% per annum)
1. Silent Chain India Private Limited	To finance the operations of our Company as required from time to time.	340.00	On demand	11.00
2. Vijay Shree Spinning Mills Private Limited		100.00	On demand	14.00
3. Mr. B. Vijayakumar		95.00	On demand	11.00
4. Mr. Vijayakumar Rajvirdhan		30.00	On demand	11.00
5. Mr. Rajiv Parthasarty		250.00	On demand	11.00
Total		815.00		

For further details, please see “Annexure VIII” of the Financial Information on page 105 of this Letter of Offer.

SECTION VII – LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS AND DEFAULTS

Except as stated below there are no outstanding litigations, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company, our Directors and our Promoter and there are no defaults, non-payment of statutory dues, over-dues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues payable to holders of any debenture, bonds and fixed deposits and arrears of Preference Shares issued by our Company, default in creation of full security as per terms of issue/other liabilities, no amounts owed to small scale undertakings exceeding ₹ 1 lacs, which is outstanding for more than 30 days, no proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act, 1956) other than unclaimed liabilities of our Company and no disciplinary action has been taken by SEBI or any stock exchanges against our Company, our Promoter and our Directors.

I. Proceeding involving our Company

- a. *Proceedings against/ by our Company - NIL*
- b. *Notices received by/ issued by our Company - NIL*

II. Proceedings involving our Promoter

- a. *Proceedings against/ by our Promoter - NIL*
- b. *Notices against/ issued by our Promoter - NIL*

III. Proceedings involving our Directors

- a. *Proceedings against/ by our Directors - NIL*
- b. *Notices against/ issued by our Directors - NIL*

IV. Proceedings involving our Group Companies

a. *Proceedings involving our Group Companies:*

i. **L.G. Balakrishnan & Bros. Limited**

SI No	Suit No	Forum	Filed By	Filed against	Particulars	Quantum (₹ in lacs)	Current Status
1	O.S. A. No. 276 of 2010	Madras High Court	L.G. Balakrishnan & Bros Ltd.,	Tamil Nadu Electricity Board	The suit in O.S.No.98 of 2000 had been filed for non-payment of dues by the TNEB for supply of excess power, as has been utilized by the Defendant through their common grid. On dismissal of the suit by a single judge vide judgment dated 09-11-2009, appeal has been filed with the division bench.	63.58	Pending hearing and final disposal



SI No	Suit No	Forum	Filed By	Filed against	Particulars	Quantum (₹ in lacs)	Current Status
2	W.P. No.3 2263 of 2002	Madras High Court	L.G.Balakrishnan & Bros Ltd.,	1. The Chairman, Tamil Nadu Electricity Board 2. The Superintendent Engineer, Coimbatore Electricity Distribution Circle.	The Company has filed this writ petition for restraining the Defendants from collecting tariff as specified in G.O.MS.29 dated 31-01-1995 by treating the company's unit No.4 as New industry and not as an expansion unit	Nil (Amount not quantified question of classification)	Pending hearing and disposal
3	W.P. No.3 2339 of 2022	Madras High Court	L.G.Balakrishnan and Bros Ltd.,	1. Junior Engineer, Tamil Nadu Electricity Board. 2. The Superintendent Engineer, Tamil Nadu.	The Company has filed a Writ Petition against the notice of the Electricity Board stating the unit is not an industry and therefore liable to be charged with higher electricity tariff (Tariff V). The court has granted interim stay subject to the company depositing 25% of the amount claimed by way of arrears to pay charges under Tariff V in future.	0.51	Pending final Disposal
4	Cr.O .P. No.2 4267 of 2	Judicial Magistrate No.3, Coimbatore	L.G.Balakrishnan and Bros Ltd.,	1.M.Kaliappa 2. Karthick Engineering Works	Complaint filed under section 138 of Negotiable Instruments Act for dishonor of Cheque issued for ₹50Lacs by Karthick Engineering Works favoring L.G.Balakrishnan and Bros Ltd., towards part payment of total sum of ₹87.77 Lacs due from Karthick Engineering Works to L.G.Balakrishnan and Bros Ltd., the amount is claimed towards job work transactions.	50.00	Pending final Disposal
5	O.S. No.8 22 of 2009	District Court, Coimbatore.	Karthick Engineering Works	L.G.Balakrishnan and Bros Ltd.,	Suit filed claiming a sum of ₹28 Lacs towards purported balance amount due to Karthick Engineering Works towards job work charges. L.G.Balakrishnan and Bros Ltd., has disputed the claim and has contended that Karthick Engineering Works is due to pay to L.G.Balakrishnan and Bros Ltd., ₹87.77 Lacs	28.00	Pending final Disposal
6	Cr.O.P. No.63 of 2009	Illaqua Magistrate Gurgaon	L.G.Balakrishnan and Bros Ltd.,	Pradeep Chibber	Complaint alleging that officer in charge, Mr.Pradeep Chibber had misappropriated and converted to his own account, physical stock of the company and caused loss to the company.	33.00	Pending final Disposal
7	S& E/C D/66 /09	Competent Authority under the Shops & Establishment Act	Pradeep Chibber	L.G.Balakrishnan & Bros Ltd.,	Claim filed by Mr.Pradeep Chibber for recovering arrears of salary and incentive. The Company is contending that the amount is liable to be withheld since	2.75	Pending final Disposal

SI No	Suit No	Forum	Filed By	Filed against	Particulars	Quantum (₹ in lacs)	Current Status
					the claimant was involved in misappropriation and caused consequent wrongful loss to the company.		
8	GR/6 3/AL C/C D/D G	Competent Authority under the payment of gratuity act	Pradeep Chibber	L.G.Balakrishnan & Bros Ltd.,	Claim filed by Mr.Pradeep Chibber for recovering gratuity amount with held by the company. The Company is contending that firstly there is no termination of service and secondly that the amount is liable to be withheld since the claimant was involved in misappropriation and caused consequent wrongful loss to the company	2.00	Pending final Disposal
9	Cr.Co mp.No .5872 of 2008	US Nagar, Rudrapur	L.G.Balakrishnan & Bros Ltd	1. Midhila Scooters 2.N.H.Nazni 3.W.H.Nazni	Compliant under section 138 of Negotiable Instruments Act in respect of dishonor of Cheque issued favouring the company towards partial discharge of liability towards purchase of chain/sprockets from the company	13.00	Pending (Warrant issued against the accused)
10	I.D.No .44 of 1998	Labour Court Mysore	Ramu	L G Balakrisnan & bros Ltd	I.D.Filed claiming relief of reinstatement. The company has defended it saying that Ramu was only a contractor and not an employee. I.D. Dismissed by Labour Court, Mysore.	No monetary impact	Appeal Pending
11	R A 253 of 2000	Civil Judge Mysore	P N Suresh	L G Balakrishnan & Bros Ltd	Appeal filed by Mr.P.N.Suresh against order of lower court dismissing suit filed by P.N.Suresh to declare the showcause notice issued to P.N.Suresh as illegal. Subsequently, Mr.Suresh has been dismissed from service and he has not challenged the dismissal order.	No Monetary Impact	Appeal Pending
12	Case No.8 0 of 2009	Labour Court Mysore	Raja & Others	L G Balakrishnan & Bros Ltd	Contract workman claiming regularization	No Monetary Impact	Appeal Pending
13	C.M.A. No.189 to 193 of 2004	Madras High court	L G Balakrishnan & Bros Ltd	G The Regional Director ESI Corporation Chennai	The High Court has passed a temporary stay on all proceedings and judgment and decree made in certain matters by the Employee State Insurance Corporation Chennai till the disposal of this Matter	0.78	Pending (interim stay has been granted by High Court)
14	C.M.A. No.387 of 2003	Madras High Court	L.G.Balakrishnan and Bros Ltd.,	K.Kandasamy and V.Rat	Appeal against order passed in W.C.No.17 of 2001 awarding workmen compensation against the company. The company disputes the liability on the ground that the workman was a contract workman and that consequently only contractor is liable for the payment.	7.83	The High Court has passed an interim direction directing the WCC not to disburse the amount deposited



SI No	Suit No	Forum	Filed By	Filed against	Particulars	Quantum (₹ in lacs)	Current Status
							by the Company. Pending Hearing and final disposal.
15	I.T.A. No.16 46/199 1	ITAT, Chennai	L.G.Balakrishna and Bros Ltd.,	Deputy commissioner Income Tax, Coimbatore	The Company had filed this appeal against the order of the Deputy Commissioner of Income tax, Coimbatore assessing the total income of the company without considering the credit balance, cost of manufacture of tools and dividend income. The High Court had earlier vide, order dated 26-09-2006 in TCA No.161 of 2003 decided certain legal issue and remanded the matter back to the Tribunal for adjudication by the Tribunal.	10.21	Pending hearing and final Disposal
16	W.P. No.4 3327 of 2002	Madras High Court	L.G.Balakrishna and Bros Ltd.,	1. Assistant Commissioner of Central Excise, Coimbatore 2. Commissioner of central Excise, Trichy. 3.CEGAT, Chennai.	Writ Petition filed against order of the CEGAT holding that the Company's Clearance during the period August 1982 to October 1984 were only provisional notwithstanding the earlier unconditional approval of the classification list.	23.00	Pending hearing and final Disposal
17	E/57 8/20 09	CESTAT, Chennai	L.G.Balakrishna and Bros Ltd.,	Assistant Commissioner of Central Excise, Coimbatore	Appeal against denial of exemption under Notification No.23/2003C.EX dated 31-03-2003 and imposition of penalty for purported non compliance with the procedure set out in 22/2003C.EX. CESTAT has granted stay of recovery pending disposal of the appeal.	2.59 (Tax) 2.59 (Penalty)	Pending hearing and final Disposal
18	Appel No.1 01 of 2009	Commissioner of central Excise, Coimbatore	L.G.Balakrishna and Bros Ltd.,	Assistant Commissioner of Central Excise, Coimbatore	Appeal against order confirming levy of duty on semi finished products, destroyed in, in house testing for quality and specification on the reasoning that they are finished product and that proper records not maintained to show removal for in house testing. Earlier on the commissioner had dismissed the appeal and on appeal to CESTAT in Appeal No.E/639/2009, CESAT had vide order dated 25-06-2010 set-aside the order of the commissioner and remanded the matter once against to the commissioner for fresh disposal.	1.36(Tax) 1.36(Penalty)	Pending final Disposal
19	E/22/ 2008	CESTAT, Chennai	Commissioner of Central	L.G.Balakrishna and Bros Ltd.,	Appeal is filed to modify order dated 23-07-2007 of	4.94(Tax) 0.25(Penalty)	Pending final

SI No	Suit No	Forum	Filed By	Filed against	Particulars	Quantum (₹ in lacs)	Current Status
				Excise, Coimbatore	Commissioner Coimbatore and to restore order dated 14-03-2007 of the Assistant Commissioner of Central Excise, Tirupur. Issue involved is whether the company has not valued the removal of goods from the factory to the depot correctly since the transaction value at the time of transfer to depot is list price less 30% discount whereas ultimate sale from the depot was at discounted price of only at 28%.		Disposal
20	E/68 7/20 10	CESTAT, Chennai	L.G.Balakrishna n and Bros Ltd.,	Commissioner of Central Excise, Coimbatore	Appeal Against order of the Commissioner of the Central Excise dated 06-08-2010. The company had sold and transferred its chain division to Renold Chain India Pvt., Ltd. Such sale according to the company is sale of business as a whole. However commissioner by his order held such transfer to be removal of Inputs, work-in-progress, finished goods and capital goods and on that basis ordered for reversal of cenvat credit. CESTAT has admitted the appeal and granted conditional stay directing the company to pay ₹100 lacs and recovery of balance amount is stayed.	347(Tax) 347(Penalty)	Pending (Recovery Stayed
21	Appeal No.500/ 09/MV/ CE	Commissioner of Central Excise (Appeals), Mysore	L.G.Balakrishna n and Bros Ltd.,	Additional Commissioner of Central Excise, Mysore	Appeal against order dated 18-08-2009/02-09-2009 of Additional Commissioner of Central Excise, Mysore. The order has levied differential duty on the company in respect of excisable goods cleared under 41 invoices dated 31-05-2006 on which central excise duty was paid on assessable value determined under section 4 of the Central Excise Act 1944 on the reasoning that the goods were purportedly actually removed from the factory on or after 01-06-2006 thereby requiring the payment of duty on the assessable value determined under section 4A of the Central Excise Act 1944 read with Notification No.11/06-CE (NT) dated 29-05-2006 and 12/06-CE(NT) dated 29-05-2006.	30.86 (Tax) 30.86 (Penalty)	Pending final Disposal
22	Yet to be num bere d	Commissioner of Central Excise (Appeal), Coimbatore	L.G.Balakrishna n and Bros Ltd.,	Deputy Commissioner of Central Excise, Coimbatore.	The issue involved is levy of differential duty in respect of automobile components supplied by the company to 100% EOU's and in respect	0.52(Tax) 0.52(Penalty)	Pending final Disposal



SI No	Suit No	Forum	Filed By	Filed against	Particulars	Quantum (₹ in lacs)	Current Status
					whereof re- warehousing certificate is required to be furnished. The company has filed Re-Warehousing Certificate upon receipt thereof.		
23	E/231/08 E/232/08 E/169/09 E/255/09 E/536/09 E/593/09	CESTAT, Chennai	L.G.Balakrishna and Bros Ltd.,	Commissioner of Custom, Central Excise and Service Tax Appeals	The Company has set up captive windmill power plants near Tirunelveli, Nagercoil and Palladam in Tamil Nadu. The Windmills have been put up as per the permission granted by the Tamil Nadu Government. In this connection they entered into separate agreements with the Tamil Nadu Electricity Board (TNEB). As per these agreements, the TNEB has agreed to transmit the power generated by the power plants to the Company's factory through their grids. The Company has to take care of the maintenance of the windmills and the equipments including the transformer, switch gear and protection equipments. The input services received at their windmill project were in or in relation to the business/manufacturing activity of the Company. The Company paid the Service Tax on such invoices raised by the service providers on them and being eligible took credit of such service taxes paid as per Cenvat Credit Rules, 2004. The commissioner (Appeals) had confirmed the demand of the department to recover the Cenvat credit availed on services received in relation to the windmill project on the ground that the windmills are located outside the factory premises and that ever though the power generated from the windmill is transferred to power grid of TNEB and equal quantity of power drawn to the factory of the company/manufacturer, it is not in relation to manufacturer or clearance of final product and that there is no nexus between windmill and production process in the factory. CESTAT has admitted the Appeals waiving predeposit and has granted absolute stay.	10.79	Pending final Disposal
24	E/73/20	CESTAT, Chennai	L.G.Balakrishna and Bros Ltd.,	Commissioner of Central	Appeal Against order of the Commissioner of Central	2.02(Tax) 2.02(Penalty)	Pending final



SI No	Suit No	Forum	Filed By	Filed against	Particulars	Quantum (₹ in lacs)	Current Status
	07			Excise, Trichy	Excise, Trichy dated 16-07-2007 confirming demand for Cenvat Credit availed for outward transportation of final product beyond the place of removal		Disposal
25	Civil Appeal No.9 of 2010	Supreme Court of India	Commissioner of Central Excise, Coimbatore	L.G.Balakrishnan and Bros Ltd.,	Appeal by the Department against the order of CESTAT in S/98/2008. The issue relates to claim of the department, that the payment of technical knowhow fee by L.G.Balakrishnan and Bros Ltd., to GELB Consultancy, U.S.A, for the period October 1999 to June 2002 is liable for payment of service tax as consulting engineer services, which demand is disputed by the company, upon the contention that transfer of knowhow is not a service, that it is not covered by the Category Consulting Engineer Services and that Intellectual Property Services were brought within the taxable fold only from subsequent period.	5.07	Pending final Disposal
26	W.P. No.1834 of 2008	Madras High Court	L.G.Balakrishnan and Bros Ltd.,	1. State of Tamil Nadu 2. Assessment Commissioner of Commercial Tax (Fast track Assessment Circle), Coimbatore.	Writ Petition filed to quash the demand made under the Tamil Nadu Tax on entry of Motor Vehicle into local areas Act 1980, on the ground that the Act itself is liable to be declared as unconstitutional. The High Court has admitted the Writ and granted unconditional stay.	408.36	Pending final disposal
27	W.P. No.1021 of 2011	Madras High Court	L.G.Balakrishnan and Bros Ltd.,	Assistant Commissioner C.T., Trichy Road Circle, Coimbatore	The sales tax authorities have completed the sales tax assessment for the year 2002-2003 and the following are the demand raised in the Assessment Order. Company was dealing in Elf Oil and there was an exemption for the Petroleum products from the payment of Resale Tax @ 1 %. The Department has contended that this exemption is available only to Petrol and Diesel and not to other Petroleum Products. The Department has taken a stand that Form 17 ought not to have been issued for Textile Machinery Spares, but instead of levying 1 % differential tax has demanded 12% tax.	26.48	Pending final Disposal (stay of recovery)
For the sale of Assets of							



Sl No	Suit No	Forum	Filed By	Filed against	Particulars	Quantum (₹ in lacs)	Current Status
					other plants outside the state of Tamil Nadu, Department has not considered the payment details of other states and demanded tax . The department has also claimed that there has been short payment of tax, inspite of proof of payment being furnished by the Company.		
28	F.A. No.1 66 and 187 of 2010	State Consumer Disputes Redressal Commission	L.G.Balakrishnan and Bros Ltd.,	1. Jijendran 2. Chandru 3.RDO, Coimbatore	Appeal Against order of District Consumer Redressal Forum, Coimbatore in C.C.No.337 of 2008 holding LGB guilty of deficiency in service in the matter of not securing RC book endorsed in favour of the Complainant. LGB has disputed the claim stating that complainant is not a consumer and that LGB never undertook in the first place to secure such RC Book. The appeal has been admitted and interim stay has been granted.	0.50	Pending final disposal
29	C.C. No.5 33 of 2010	District Consumer Redressal Forum	S.Govagi	L.G.Balakrishnan and Bros Ltd.,	Complaint alleges manufacturing defect in vehicle purchase. LGB has defended stating that the quality defect was alleged after driving the vehicle for 92,000 Kms and with a view to avoid payment of service charges to LGB and because the complainant is faced with threat of repossession of vehicle by the financier to whom the complainant had defaulted in payment.	8.00	Pending final disposal

ii. Super Transports Private Limited

Sl No	Suit No	Forum	Filed By	Filed against	Particulars	Quantum (₹ in lacs)	Current Status
1	Appel No.231 of 2007	CESTAT, Chennai	Super Transport Private Limited	Commissioner of central Excise, Trichy	Service Tax demanded on cost of material used in retreading of old/used tyres the company is claiming exemption under notification number 12.2003-ST. The commissioner had confirmed the demand and so appeal has been filed by the company. Stay has been granted by CESTAT.	70.84	Appeal Pending
2	Yet to be numbered	CESTAT, New Delhi	Super Transport Private Limited	Commissioner of central Excise, Meerut	Appeal Filed against order of Commissioner levying Service Tax for the period June 2008 to September 2008 without considering the revised return filed by the company pursuant to which appropriate tax for the period have been paid by the company.	1.79(Tax) 1.90(Penalty)	Appeal Pending

iii. L.G. Sports Limited

Sl No	Suit No	Forum	Filed By	Filed against	Particulars	Quantum (₹ in lacs)	Current Status
1	C.T. S.A. 174/09	Sales Tax Appellate Tribunal, Coimbatore	State of Tamil Nadu	L.G.Sports Private Ltd	Departmental Appeal against Order of AAC (C.T) in A.P.No 82/2007. Issues involved are liability to tax on lease of immovable property, sums collected as parking charges and reimbursement of accommodation expenses, purchase by way of import, sale of used car	4.76	Pending

b. Notices involving our Group Companies - NIL



MATERIAL DEVELOPMENTS

Material Developments since the last Balance Sheet date

For information on Material Developments, please refer to section titled “*Management Discussions and Analysis of Financial Condition and Results of Operations*” on page 109 of this Letter of Offer.

GOVERNMENT APPROVALS

Except as stated below, our Company has received the necessary consents, licenses, permissions and approvals from the Government of India and various governmental agencies required for our present business and to undertake the Issue and no further material approvals are required for carrying on our present activities. In addition, except as mentioned in this chapter “Government Approvals”, as on the date of the Letter of Offer, there are no pending regulatory and government approvals and no pending material renewals of licenses or approvals in relation to the activities undertaken by the Company or in relation to the Issue.

I. Approvals for the Issue

1. Board resolution dated September 30, 2011 approving the Issue;
2. Resolution passed by the members of the Company at the EGM held on October 29, 2011 authorising the Issue;
3. In-principle approval from the BSE dated [●];
4. In-principle approval from NSE dated [●]

II. General

Permanent Account Number of our Company is AABCL2012K.

III. Approvals in relation to the business of our Company

We require various approvals and/ or licences under various rules and regulations to conduct our business. As our business is spread in various locations in India, the approvals and/or licences differ on the location of our facilities. For conducting our business, we enter into long term lease agreements with the builder/developer/ owner, who are responsible for obtaining the permits, licences and approvals from the appropriate regulatory and governing authorities in accordance with the terms of the agreements.

Some of the material approvals required by us to undertake our businesses are set out below:

Sl No	License No. & Date	Authority	Purpose & Validity / Renewal
1	3481/SIA/IMO/2008 August 4, 2008 Kodayampalayam	Secretariat For Industrial Assistance, Department of Industrial Policy Promoting, Ministry of Commerce & Industries Government of India	For Manufacturing of finished & semi finished steel forging and auto spares.
2	2482/SIA/IMO/2008 August 4, 2008 Mysore	Secretariat For Industrial Assistance, Department of Industrial Policy Promoting, Ministry of Commerce & Industries Government of India	For Manufacturing of finished & semi finished steel forging and auto spares and earth moving implements.
3	2480/SIA/IMO/2008; August 4, 2008 Pillaiappanpalayam	Secretariat For Industrial Assistance, Department of Industrial Policy Promoting, Ministry of Commerce & Industries Government of India	For Manufacturing of finished & semi finished steel forging and auto spares and earth moving implements etc.
4	CBE/CB13669; July 24, 2008	Deputy Chief Inspector of Factories, Coimbatore	For Manufacturing of finished & semi finished steel forging and auto spares



SI No	License No. & Date	Authority	Purpose & Validity / Renewal
	Pillaiappanpalayam		and earth moving implements etc. Valid upto: 31.12.2011
5	CBE/CB11952; November 30, 2010	Deputy Chief Inspector of Factories, Coimbatore	For Manufacturing of finished & semi finished steel forging and auto spares and earth moving implements etc. Valid upto:31.12.2011
	Kodayampalayam		
6	MYM-850; December 15, 2010	Department of Factories & Boilers	For Manufacturing of finished & semi finished steel forging and auto spares and earth moving implements etc. Factory License valid upto 31.12.2011
	Mysore		
7	Consent order no. DEE/ CBE/ W012; May 18, 2007	Tamil Nadu State Pollution Control Board	Consent under the Water (P&CP) Act, 1974 as amended & Air (P &CP) Act, 1981. Validity: 31.03.2010 Renewal application made vide letter no. LGBF/HR/PCB/2010 dated February 25, 2010
	Kodayampalayam		
8	Consent order no. 21358; February 20, 2008	Tamil Nadu State Pollution Control Board	Consent under the Water (P&CP) Act, 1974 as amended & Air (P &CP) Act, 1981. Validity: 31.03.2011 Renewal application made vide letter no. LGBF/HR/PCB/2011 dated April 7, 2011
	Pillaiappanpalayam		

IV. NOCs / CONSENTS / AUTHORISATIONS

SI No	License No. & Date	Authority	Purpose & Validity / Renewal
1	NO.119/KSPCB/ RO (MYS) /EO /DEO-2/F-REG-172/ MR/ 2010-11/882 Dt:31.02.2010	Karnataka State Pollution Control Board	Consent for discharge of effluents under the Water (Prevention and Control of Pollution) Act 1974 The consent is granted for the period from 01.07.2010 to 30.06.2012
	Mysore		

Except mentioned above, there are no pending approvals and registrations which our Company needs to make with the relevant authority. Further, as on the date of the Letter of Offer, our Company does not own any intellectual property rights.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

This Issue of Equity Shares to the Equity Shareholders of our Company as on the Record Date is being made in accordance with the resolution passed by our members at the EGM under sections 81(1) and 81 (1A) of the Companies Act, at their meeting held on October 22, 2011.

Prohibition by SEBI

Our Company, our Associates, our Promoters, our Promoter Group companies, or the companies with which the Directors are associated as directors or promoters, have not been prohibited from accessing or operating in the capital market under any order or direction passed by SEBI.

None of our Company, the Associates, the Promoters or the members of the Promoter Group have been declared willful defaulters by the RBI or any Government authority and no violations of securities laws have been committed by them in the past and no proceedings in relation to such violations are currently pending against them.

None of our Directors are associated in any manner with any entity which is engaged in securities market related business and is registered with SEBI for the same.

None of our Directors hold current or have held directorship(s) in the last five years in a listed company whose shares have been or were suspended from trading on BSE or the NSE or in a listed company which has been / was delisted from any stock exchange.

Compliance with part A of schedule VIII of SEBI Regulations

Pursuant to sub-clause (b) of clause (3) of part E of Schedule VIII of the SEBI Regulations, our Company is eligible to offer this Issue in terms of Part A of Schedule VIII of the SEBI Regulations.

Pursuant to the scheme of arrangement approved by the Hon'ble High Court at Madras, the entire business and assets of forging unit of L.G. Balakrishnan & Bros Limited was demerged and transferred to our Company with effect from April 1, 2008 and thus from August 1, 2008 the equity shares of our Company were listed on BSE and NSE. Subsequent to such listing, we are making this Issue of Equity Shares on rights basis for the first time.

DISCLAIMER CLAUSE OF SEBI

AS REQUIRED, A COPY OF THE DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THIS DRAFT LETTER OF OFFER TO SEBI SHOULD NOT, IN ANY WAY BE DEEMED / CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS DRAFT LETTER OF OFFER. THE LEAD MANAGER, KEYNOTE CORPORATE SERVICES LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF

ALL RELEVANT INFORMATION IN THE DRAFT LETTER OF OFFER, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE LEAD MANAGER, KEYNOTE CORPORATE SERVICES LIMITED HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED DECEMBER 5, 2011 WHICH READS AS FOLLOWS:

1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATIONS LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THE DRAFT LETTER OF OFFER PERTAINING TO THE SAID ISSUE;
2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER COMPANY, WE CONFIRM THAT:
 - a) THE DRAFT LETTER OF OFFER FILED WITH THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
 - b) ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS, GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE BOARD, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
 - c) THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.
3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT LETTER OF OFFER ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID EXCEPT THAT OF CAMEO CORPORATE SERVICES LIMITED, THE REGISTRAR TO THE ISSUE, WHICH WAS VALID TILL MARCH 31, 2011. THE REGISTRAR HAS APPLIED FOR RENEWAL OF ITS REGISTRATION WITH SEBI VIDE ITS LETTER DATED DECEMBER 30, 2010.
4. WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS – NOT APPLICABLE AS THE ISSUE IS NOT UNDERWRITTEN.
5. WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF

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- PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED/ SOLD/ TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT LETTER OF OFFER WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT LETTER OF OFFER. – NOT APPLICABLE AS THE PRESENT ISSUE IS A RIGHTS ISSUE.**
- 6. WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUES OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER – NOT APPLICABLE AS THE PRESENT ISSUE IS A RIGHTS ISSUE.**
 - 7. WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE ISSUER ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE. - NOT APPLICABLE AS THE PRESENT ISSUE IS A RIGHTS ISSUE.**
 - 8. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE "MAIN OBJECTS" LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.**
 - 9. WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE LETTER OF OFFER. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION.**
 - 10. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT LETTER OF OFFER THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE.**
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11. WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.

12. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER:
 - a) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE ISSUER AND

 - b) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.

13. WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO THE ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.

14. WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OF THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE ETC.

15. WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT LETTER OF OFFER WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.

16. WE ENCLOSE STATEMENT ON 'PRICE INFORMATION OF PAST ISSUES HANDLED BY KEYNOTE CORPORATE SERVICES LIMITED' AS PER FORMAT SPECIFIED BY THE BOARD THROUGH CIRCULAR. - NOT APPLICABLE AS THE PRESENT ISSUE IS A RIGHTS ISSUE.

THE FILING OF THIS DRAFT LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCE AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER ANY IRREGULARITIES OR LAPSES IN THIS DRAFT LETTER OF OFFER.

THE PROMOTER/ DIRECTORS OF LGB FORGE LIMITED, MR. B. VIJAYAKUMAR, MR. VIJAYAKUMAR RAJVIRDHAN, MR. K.N.V. RAMANI, MR. P. SHANMUGASUNDARAM, MR. P.V. RAMAKRISHNAN, MR. RAJIV PARTHASARATHY AND MR. HARSHA LAKSHMIKANTH CONFIRM THAT NO INFORMATION/ MATERIAL LIKELY TO HAVE A BEARING ON THE DECISION OF INVESTORS IN RESPECT OF THE SHARES OFFERED IN TERMS OF THE DRAFT LETTER OF

OFFER HAS BEEN SUPPRESSED WITHHELD AND/ OR INCORPORATED IN THE MANNER THAT WOULD AMOUNT TO MIS-STATEMENT/ MISREPRESENTATION AND IN THE EVENT OF ITS TRANSPIRING AT ANY POINT IN TIME TILL ALLOTMENT/ REFUND AS THE CASE MAY BE, THAT ANY INFORMATION/ MATERIAL HAS BEEN UPRESSESSED/ WITHHELD AND/ OR AMOUNTS TO A MIS-STATEMENT/ MISREPRESENTATION, THE PROMOTERS/ DIRECTORS UNDERTAKE TO REFUND THE ENTIRE APPLICATION MONIES TO ALL SUBSCRIBERS WITHIN 7 DAYS THEREAFTER WITHOUT PREJUDICE TO THE PROVISIONS OF SECTION 63 OF THE COMPANIES ACT.

Disclaimer clauses from our Company and the Lead Manager

Our Company and the Lead Manager accept no responsibility for statements made otherwise than in this Letter of Offer or in any advertisement or other material issued by our Company or by any other persons at the instance of our Company and anyone placing reliance on any other source of information would be doing so at his own risk.

The Lead Manager and our Company shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of this Letter of Offer with SEBI.

Investors who invest in the Issue will be deemed to have represented to our Company and Lead Manager and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares, and are relying on independent advice / evaluation as to their ability and quantum of investment in this Issue.

Caution

Investors that apply in this Issue will be required to confirm and will be deemed to have represented to our Company and the Lead Manager and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares and will not offer, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares. Our Company, the LM and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares in the Issue.

Disclaimer with respect to jurisdiction

This Letter of Offer has been prepared under the provisions of Indian laws and the applicable rules and regulations thereunder. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in Coimbatore, India only.

Designated Stock Exchange

The Designated Stock Exchange for the purpose of the Issue will be BSE.

Disclaimer Clause of BSE

BSE has given vide its letter no. [●] dated [●] permission to our Company to use BSE's name in this Letter of Offer as one of the Stock Exchanges on which the Equity Shares are proposed to be listed. BSE has scrutinized this Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to our Company. BSE does not in any manner: (i) warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer; or (ii) warrant that this Company's securities will be listed or will continue to be listed on BSE; or (iii) take any responsibility for the financial or other soundness of our Company, its Promoters, its management or any scheme or project



of this Company; and it should not for any reason be deemed or construed that this Letter of Offer has been cleared or approved by BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of the NSE

As required, a copy of this Letter of Offer has been filed with the NSE. The NSE has given vide its letter no. [●] dated [●] permission to our Company to use NSE's name in this Letter of Offer as one of the Stock Exchanges on which the Equity Shares are proposed to be listed. The NSE has scrutinized this Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to our Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Letter of Offer has been cleared or approved by NSE, nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of our Company, the Promoters, its management or any scheme or project of our Company.

Every person who desires to apply for or otherwise acquire any securities of our Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Selling Restrictions

The distribution of this Letter of Offer and the issue of Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession this Letter of Offer may come are required to inform themselves about and observe such restrictions. Our Company is making this Issue of Equity Shares on a rights basis to the shareholders of our Company and will dispatch the Letter of Offer/Abridged Letter of Offer and CAFs to shareholders who have provided an Indian address. The Abridged Letter of Offer, along with CAF, shall be dispatched through registered post or speed post to all the existing shareholders at least three days before the date of opening of the issue; Provided that, the Letter of Offer shall be given by our Company or Lead Manager to any existing shareholder who has made a request in this regard.

No action has been or will be taken to permit this Issue in any jurisdiction where action would be required for that purpose, except that the Letter of Offer has been filed with SEBI. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and this Letter of Offer may not be distributed in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction. Receipt of this Letter of Offer will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, those circumstances, this Letter of Offer must be treated as sent for information only and should not be copied or redistributed. Accordingly, persons receiving a copy of this Letter of Offer should not, in connection with the issue of the Equity Shares, distribute or send the same in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. If this Letter of Offer is received by any person in any such territory, or by their agent or nominee, they must not seek to subscribe to the Equity Shares.

Neither the delivery of this Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in our Company's affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

For further details, please see "Notice to Overseas Shareholders" on page vi of this Letter of Offer.

Filing

This Draft Letter of Offer has been filed with the Corporation Finance Department of the SEBI, located at SEBI Southern Regional Office, D'Monte Building, 3rd Floor, No. 32, D'monte Colony, TTK Road, Alwarpet, Chennai – 600 018, India for its observations. After SEBI gives its observations, the final Letter of Offer will be filed with the Designated Stock Exchange as per the provisions of the Companies Act.

Listing

The existing Equity Shares are listed on BSE and NSE. Our Company has made applications to BSE, and NSE for permission to deal in and for an official quotation in respect of the Equity Shares being offered in terms of this Letter of Offer. Our Company has received in-principle approvals from BSE by letter dated [●] and NSE by letter dated [●]. Our Company will apply to BSE and NSE for listing of the Equity Shares to be issued pursuant to this Issue.

If the permission to deal in and for an official quotation of the securities is not granted by any of the Stock Exchanges mentioned above, we shall forthwith repay, without interest, all monies received from applicants in pursuance of this Letter of Offer. If such money is not paid within 8 days after we becomes liable to repay it, then our Company and every Director of our Company who is an officer in default shall, on and from expiry of 8 days, be jointly and severally liable to repay the money with interest as prescribed under the Section 73 of the Act.

Consents

Consents in writing of the Directors, the Auditors, the Lead Manager, the Legal Counsel, the Registrar to the Issue and the Bankers to the Issue and experts to act in their respective capacities have been obtained and such consents have not been withdrawn up to the date of the Letter of Offer. M/s. Haribhakti & Co., Chartered Accountants, the Auditors of our Company, have given their written consent for the inclusion of their report in the form and content appearing in this Letter of Offer and such consent and report have not been withdrawn up to the date of this Letter of Offer.

Expert Opinion

Other than reports of our Auditor in respect of the information in the section “Financial Information” and “Statement of Tax Benefits” on page 89 and page 28, no expert opinion has been obtained by our Company in relation to the Issue.

Issue Expenses

The Issue related expenses include, among others, fees payable to intermediaries including Lead manager, printing and distribution expenses, advertisement and marketing expenses and registrar, legal and depository fees among others and are estimated at ₹ 30 lacs (approximately 2.18 per cent of the total Issue size) and will be met out of the proceeds of the Issue.

Particulars	Amount (₹ in lacs)	As percentage of total expenses	As a percentage of Issue size
Fees of the Intermediaries	18.50	61.67	1.35
Advertising, traveling and marketing expenses	4.40	14.67	0.32
Printing and stationery expenses	4.50	15.00	0.33
Statutory and other miscellaneous expenses	2.60	8.67	0.19
Total estimated Issue related expenses	30.00	100.00	2.18



Fees Payable to the Lead Manager to the Issue

The fees payable to the Lead Manager to the Issue are set out in the engagement letter issued by our Company to the Lead Manager entered into by our Company with the Lead Manager, copies of which are available for inspection at the registered office of our Company.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue are set out in the engagement letter issued by our Company to the Registrar.

Previous Issues by our Company

Our Company has not undertaken any public or rights issue during the last five years.

Outstanding Debentures/Bonds and Preference Shares

There are no outstanding debentures/ Bonds and preference shares as on the date of the Letter of Offer.

Previous Public Issues by group companies/ Subsidiaries

None of our group companies have made any public or rights issue in the past three years. Further, as on the date of the Letter of Offer, we do not have any subsidiary company.

Option to Subscribe

Applicants to the Equity Shares of our Company issued through this Issue shall be allotted the securities in dematerialized (electronic) form at the option of the applicant. The Company has signed a tripartite agreement with NSDL and Cameo Corporate Services Limited, and with CDSL and Cameo Corporate Services Limited which enables the Investors to hold and trade in securities in a dematerialized form, instead of holding the securities in the form of physical certificates. The ISIN number allotted to our Company is INE201J01017.

Previous issue of Equity Shares for consideration other than cash

Other than as disclosed in the section titled “Capital Structure” on page 15 our Company has not made any issue of Equity Shares for consideration other than cash.

Investor Grievances and Redressal System

The Company has adequate arrangements for redressal of Investor complaints as well as a well-arranged correspondence system developed for letters of routine nature. The share transfer and dematerialization for our Company is being handled by the Registrar and Share Transfer Agent, Cameo Corporate Services Limited. Letters are filed category wise after being attended to. The Redressal norm for response time for all correspondence including shareholders complaints is within 7 (seven) to 10 (ten) days.

The Shareholders/Investors Grievances Committee consists of Mr. P.V. Ramakrishnan as Chairman and Mr. B. Vijayakumar and Mr. Vijayakumar Rajviridhan as members of the said committee. All investor grievances received by our Company have been handled by the Registrar and Share Transfer agent in consultation with the compliance officer.

The contact details of the Registrar and Share Transfer agent to the company are as follows:

Cameo Corporate Services Limited

“Subramanian Building”,
No 1, Club House Road,
Chennai- 600 002

Tel: +91-44-28460390

Fax: +91-44-28460129

E-mail: cameo@cameoindia.com

Website: www.cameoindia.com

Contact Person: Mr R D Ramaswamy

SEBI Registration Number: INR000003753*

** The registration certificate was valid till March 31, 2011. The registrar has made an application vide its letter dated December 30, 2010 with SEBI for renewal of its certificate of registration.*

Investor grievances arising out of this Issue

Our Company’s investor grievances arising out of the Issue will be handled by Cameo Corporate Services Limited, who is the Registrar to the Issue. The Registrar will have a separate team of personnel handling only post-Issue correspondence.

The agreement between our Company and the Registrar will provide for retention of records with the Registrar for a period of at least one year from the last date of dispatch of Allotment Advice/ share certificate / refund order to enable the Registrar to redress grievances of Investors.

All grievances relating to the Issue may be addressed to the Registrar to the Issue giving full details such as folio no., name and address, contact telephone / cell numbers, email id of the first applicant, number and type of shares applied for, Application Form serial number, amount paid on application and the name of the bank and the branch where the application was deposited, along with a photocopy of the acknowledgement slip. In case of renunciation, the same details of the Renouncee should be furnished.

The average time taken by the Registrar for attending to routine grievances will be 7-10 days from the date of receipt of complaints. In case of non-routine grievances where verification at other agencies is involved, it would be the endeavor of the Registrar to attend to them as expeditiously as possible. Our Company undertakes to resolve the Investor grievances in a time bound manner.

Investors may contact the Compliance Officer at the below mentioned address and/ or Registrar to the Issue at the above mentioned address in case of any pre-Issue/ post -Issue related problems such as non-receipt of allotment advice/share certificates/ demat credit/refund orders etc.

Pursuant to the press release no. PR. No. 85/2011 dated June 8, 2011, SEBI has launched a centralized web based complaints redress system “SCORES”. This would enable investors to lodge and follow up their complaints and track the status of redressal of such complaints from anywhere. For more details, investors are requested to visit the website www.scores.gov.in.

Mr. A. James Chandra Mohan

Company Secretary and Compliance Officer

LGB Forge Limited

6/16/13, Krishnarayapuram Road,

Ganapathy Post,

Coimbatore – 641 006,

Tamil Nadu, India

Tel: +91 422 2532325;

Fax: +91 422 2532333

Website: www.lgbforge.co.in

E-mail: lgbgpy@vsnl.net



Status of Complaints

- a. Total number of complaints received during Fiscal 2009: Nil
- b. Total number of complaints received during Fiscal 2010: Nil
- c. Total number of complaints received during Fiscal 2011: Nil
- d. Total number of complaints received during six months period ended September 30, 2011: Nil
- e. Time normally taken for disposal of various types of investor complaints: 15 days

Status of outstanding investor complaints

As on September 30, 2011, there were no outstanding investor complaints.

Changes in the Auditors during the last three years

Our Company has appointed M/s Haribhakti & Co., Chartered Accountants as the statutory auditors of the Company in place of the retiring auditor, M/s Suri & Co., Chartered Accountants vide ordinary resolution dated June 14, 2010 at the AGM of our Company.

Capitalization of Reserves or Profits / Issuance of Equity Shares for consideration other than cash

Our Company has not capitalized any of its reserves or profits / issued shares for consideration other than cash.

Revaluation of Fixed Assets

There has been no revaluation of our Company's fixed assets in the last five years.

Performance vis-à-vis Objects

Our Company has not undertaken any public/ rights issue during the period of ten years immediately preceding the date of filing this Letter of Offer.

Performance vis-à-vis Objects – Last one issue of group companies/ Associates

Except L.G. Balakrishnan & Bros. Limited (LGBBL), none of our group companies/ associates are listed on any stock exchange.

LGBBL made a Rights Issue amounting to ₹ 9,442.27 lacs comprising of 9,348,782 1% Secured Optionally Convertible Bonds of ₹ 101/- each due in the year 2014 for cash at par in the ratio of one bond for every nine equity shares of ₹1 each held on the record date through an offer document dated January 22, 2007 to repay high cost debts. LGBBL has fully utilized the amount raised in Rights Issue towards repayment of the high cost debts.

Stock market data for Equity Shares

For stock market data please see section titled "Market Price Information" on page 114 of this Letter of Offer.

SECTION VIII – OFFERING INFORMATION

TERMS OF THE ISSUE

The Equity Shares proposed to be issued are subject to the terms and conditions contained in the Letter of Offer, the Abridged Letter of Offer and the enclosed CAF, the Memorandum of Association and Articles of Association of our Company, the provisions of the Companies Act, the terms and conditions as may be incorporated in the FEMA, as amended, applicable guidelines and regulations issued by SEBI, or other statutory authorities and bodies from time to time, the Listing Agreements entered into by our Company, terms and conditions as stipulated in the allotment advice or security certificate and rules as may be applicable and introduced from time to time. All rights/obligations of Equity Shareholders in relation to application and refunds pertaining to this Issue shall apply to the Renouncee(s) as well.

Basis for the Issue

The Equity Shares are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the Depositories for the purpose of this Rights Issue in respect of the Equity Shares held in the electronic form and on the register of members of our Company in respect of the Equity Shares held in physical form at the close of business hours on the Record Date, fixed in consultation with the Designated Stock Exchange.

Rights Entitlement

As your name appears as a beneficial owner in respect of the Equity Shares held in the electronic form or appears in the register of members as an Equity Shareholder of our Company as on the Record Date, i.e., [●], you are entitled to the number of Equity Shares as set out in Part A of the enclosed CAFs.

The distribution of the Letter of Offer and the issue of Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. The Company is making the issue of Equity Shares on a rights basis to the Equity Shareholders and the Letter of Offer, Abridged Letter of Offer and the CAFs will be dispatched only to those Equity Shareholders who have a registered address in India. Any person who acquires Rights Entitlements or Equity Shares will be deemed to have declared, warranted and agreed, by accepting the delivery of the Letter of Offer, that it is not and that at the time of subscribing for the Equity Shares or the Rights Entitlements, it will not be, in the United States and in other restricted jurisdictions.

PRINCIPAL TERMS OF THE EQUITY SHARES ISSUED UNDER THIS ISSUE

Face Value

Each Equity Share will have the face value of ₹ 1.

Issue Price

Each Equity Share shall be offered at an Issue Price of ₹ 2.75 for cash at a premium of ₹ 1.75 per Equity Share. The Issue Price has been arrived at after consultation between our Company and the Lead Manager.

Entitlement Ratio

The Equity Shares are being offered on a rights basis to the Equity Shareholders in the ratio of one Equity Shares for every two Equity Shares held (i.e., 1:2) on the Record Date.



Terms of Payment

The full amount of ₹ 2.75 per Equity Share is payable on application.

Fractional Entitlements

Fractional entitlement if any will be rounded off to the next higher integer and the share required for the same will be adjusted from one of the promoter's entitlement.

Ranking

The Equity Shares being issued shall be subject to the provisions of our Memorandum of Association and Articles of Association. The Equity Shares issued under this Issue shall rank *pari passu*, in all respects including dividend, with our existing Equity Shares.

Listing and trading of Equity Shares proposed to be issued

Our Company's existing Equity Shares are currently listed and traded on BSE (Scrip Code: 533007) and the NSE (Scrip Code – LGBFORGE) under the ISIN INE201J01017.

The listing and trading of the Equity Shares shall be based on the current regulatory framework applicable thereto. Accordingly, any change in the regulatory regime would affect the schedule. Upon Allotment the Equity Shares shall be traded on Stock Exchanges in demat segment only.

Our Company has made an application for "in-principle" approval for listing of the Equity Shares respectively to BSE and the NSE and has received such approval from BSE pursuant to the letter no. [●], dated [●] and from the NSE pursuant to letter no. [●], dated, [●]. Our Company will apply to the Stock Exchanges for final approval for the listing and trading of the Equity Shares. All steps for the completion of the necessary formalities for listing and commencement of trading of the Equity Shares to be allotted pursuant to the Issue shall be taken within seven working days from the finalisation of the basis of allotment. The fully paid up Equity Shares proposed to be issued on a rights basis shall be listed and admitted for trading on the Stock Exchanges under the existing ISIN for Equity Shares of our Company.

Rights of the Equity Shareholder

Subject to applicable laws, the Equity Shareholders of our Company shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right to free transferability of Equity Shares; and
- Such other rights as may be available to a shareholder of a listed public company under the Companies Act and Memorandum of Association and Articles of Association.

Arrangements for Disposal of Odd Lots

Our Company's shares will be traded in dematerialized form only and therefore the marketable lot is one (1) share. Therefore, there is no possibility of any odd lots.

Restrictions on transfer and transmission of shares and on their consolidation/ splitting

There are no restrictions on transfer and transmission and on their consolidation/splitting of shares issued pursuant to this issue.

General Terms of the Issue

Market Lot

The market lot for the Equity Shares of our Company in dematerialised mode is one Equity Share. In case an Equity Shareholder holds Equity Shares in physical form, our Company would issue to the allottees one certificate for the Equity Shares allotted to each folio (“Consolidated Certificate”). In respect of Consolidated Certificates, our Company will upon receipt of a request from the respective holder of Equity Shares, split such Consolidated Certificates into smaller denominations within one weeks time from the receipt of the request in respect thereof. Our Company shall not charge a fee for splitting any of the Share Certificates.

Joint Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint tenants with the benefit of survivorship subject to the provisions contained in the Articles of Association.

Nomination

In terms of Section 109A of the Companies Act, nomination facility is available in respect of the Equity Shares. An Investor can nominate any person by filling the relevant details in the CAF in the space provided for this purpose.

In case of Equity Shareholders who are individuals, a sole Equity Shareholder or the first named Equity Shareholder, along with other joint Equity Shareholders, if any, may nominate any person(s) who, in the event of the death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the Equity Shares. A person, being a nominee, becoming entitled to the Equity Shares by reason of the death of the original Equity Shareholder(s), shall be entitled to the same advantages to which he would be entitled if he were the registered holder of the Equity Shares. Where the nominee is a minor, the Equity Shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s), in the event of death of the said holder, during the minority of the nominee. A nomination shall stand rescinded upon the sale of the Equity Shares by the person nominating. A transferee will be entitled to make a fresh nomination in the manner prescribed. Fresh nominations can be made only in the prescribed form available on request at the Registered Office of the Company or such other person at such addresses as may be notified by the Company. The Investor can make the nomination by filling in the relevant portion of the CAF. In terms of Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, 1956, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Only one nomination would be applicable for one folio. Hence, in case the Equity Shareholder(s) has already registered the nomination with the Company, no further nomination needs to be made for Equity



Shares that may be allotted in this Issue under the same folio.

In case the allotment of Equity Shares is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be allotted in this Issue. Nominations registered with respective Depository Participant (“DP”) of the investor would prevail. Any investor desirous of changing the existing nomination is requested to inform its respective DP.

Notices

All notices to the Equity Shareholder(s) required to be given by our Company shall be published in one English national daily with wide circulation, one Hindi national daily with wide circulation and one regional language daily newspaper with wide circulation in the state within which our Company’s registered office is located or, will be sent by ordinary post / registered post / speed post to the registered holders of the Equity Shares from time to time.

Additional Subscription by the Promoters

The Promoter and Promoter Group have confirmed that they intend to subscribe collectively to the full extent of their Rights Entitlement in the Issue. The Promoter and Promoter Group have provided an undertaking dated December 5, 2011 to our Company to apply for additional Equity Shares, to the extent of the unsubscribed portion of the Issue, if any, from the public shareholders. As a result of this subscription and consequent Allotment, the Promoter and Promoter Group may acquire Equity Shares over and above their Rights Entitlement in the Issue, which may result in an increase of the shareholding being above the current shareholding with the Rights Entitlement. Such subscription and acquisition of additional Equity Shares by the Promoter and the Promoter Group through this Issue, if any, will not result in change of control of the management of our Company. Assuming no subscription from the public is received and the Promoter and Promoter group subscribing to such unsubscribed portion in full, their post Issue shareholding in our Company may increase to 70.25% from the present 55.38% as on September 30, 2011. Thus, post Issue, the public shareholding in our Company would stand at 29.75% which is in compliance with “continuous listing requirements” as per the provisions of Rule 19(A)(1) of SCRR. Further, such acquisition is exempted from the obligation to make an open offer as the conditions prescribed in Regulation 10(4)(b) of the Takeover Code are duly complied with.

For details, please see the chapter “Terms of the Issue - Basis of Allotment” on page 149 of this Letter of Offer.

Procedure for Application

The CAF for rights Equity Shares would be printed for all Equity Shareholders. In case the original CAFs are not received by the Investor or is misplaced by the Investor, the Investor may request the Registrars to the Issue, for issue of a duplicate CAF, by furnishing the registered folio number, DP ID Number, Client ID Number and their full name and address. In case the signature of the Equity Shareholder(s) does not match with the specimen registered with our Company, the application is liable to be rejected.

The CAF consists of four parts:

- Part A: Form for accepting the Rights Equity Shares and for applying for additional rights Equity Shares;
- Part B: Form for renunciation of Equity Shares;
- Part C: Form for application for renunciation of Equity Shares by Renouncee(s);
- Part D: Form for request for split Application forms.

Acceptance of the Issue

You may accept the offer to participate and apply for the rights Equity Shares offered, either in full or in part, by filling Part A of the enclosed CAFs and submit the same along with the application money payable

to the collection branches of the Bankers to the Issue as mentioned on the reverse of the CAFs before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors of our Company in this regard. Investors at centres not covered by the branches of collecting banks can send their CAFs together with the cheque drawn at par on a local bank at Coimbatore/demand draft payable at Mumbai to the Registrar to the Issue by registered post. Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected. For further details on the mode of payment, see “Mode of Payment for Resident Equity Shareholders / Investors” and “Mode of Payment for Non-Resident Equity Shareholders/ Investors” on page 164 of this Letter of Offer.

Option available to the Equity Shareholders

The CAFs will clearly indicate the number of Equity Shares that the Shareholder is entitled to.

If the Equity Shareholder applies for an investment in Equity Shares, then he can:

- Apply for his Rights Entitlement of Equity Shares in full;
- Apply for his Rights Entitlement of Equity Shares in part;
- Apply for his Rights Entitlement of Equity Shares in part and renounce the other part of the Equity Shares;
- Apply for his Rights Entitlement in full and apply for additional Equity Shares;
- Renounce his Rights Entitlement in full.

Additional Equity Shares

You are eligible to apply for additional Equity Shares over and above your Rights Entitlement, provided that you are eligible to apply under applicable law and have applied for all the Equity Shares offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional Equity Shares shall be considered and allotment shall be made at the sole discretion of the Board, subject to sectoral caps and in consultation if necessary with the Designated Stock Exchange and in the manner prescribed under “Basis of Allotment” on page 149 of this Letter of Offer.

If you desire to apply for additional Rights Issue Equity Shares, please indicate your requirement in the place provided for additional Rights Issue Equity Shares in Part A of the CAF. The Renouncee applying for all the Rights Issue Equity Shares renounced in their favour may also apply for additional Rights Issue Equity Shares.

Where the number of additional Equity Shares applied for exceeds the number available for Allotment, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

Renunciation

This Issue includes a right exercisable by you to renounce the Equity Shares offered to you either in full or in part in favour of any other person or persons. Your attention is drawn to the fact that our Company shall not Allot and/or register and Equity Shares in favour of more than three persons (including joint holders), partnership firm(s) or their nominee(s), minors, HUF, any trust or society (unless the same is registered under the Societies Registration Act, 1860 or the Indian Trust Act, 1882 or any other applicable law relating to societies or trusts and is authorized under its constitution or bye-laws to hold equity shares, as the case may be). Additionally, existing Equity Shareholders may not renounce in favour of persons or entities in the United States, who are not Qualified Institutional Buyers (as defined the US Securities Act), or who would otherwise be prohibited from being offered or subscribing for Equity Shares or Rights Entitlement under applicable securities laws.

By virtue of the Circular No. 14 dated September 16, 2003 issued by the RBI, Overseas Corporate Bodies (“OCBs”) have been derecognized as an eligible class of investors and the RBI has subsequently issued the



Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Accordingly, the existing Equity Shareholders of our Company who do not wish to subscribe to the Equity Shares being offered but wish to renounce the same in favour of Renounee shall not renounce the same (whether for consideration or otherwise) in favour of OCB(s).

The RBI has however clarified in its circular, A.P. (DIR Series) Circular No. 44, dated December 8, 2003 that OCBs which are incorporated and are not under the adverse notice of the RBI are permitted to undertake fresh investments as incorporated non-resident entities in terms of Regulation 5(1) of RBI Notification No.20/2000-RB dated May 3, 2000 under FDI Scheme with the prior approval of Government if the investment is through Government Route and with the prior approval of RBI if the investment is through Automatic Route on case by case basis. Shareholders renouncing their rights in favour of OCBs may do so provided such Renounee obtains a prior approval from the RBI. On submission of such approval to our Company at our Registered Office, the OCB shall receive the Abridged Letter of Offer and the CAF.

Part 'A' of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid. Submission of the enclosed CAF to the Banker to the Issue at its collecting branches specified on the reverse of the CAF with the form of renunciation (Part 'B' of the CAF) duly filled in shall be conclusive evidence for our Company of the person(s) applying for Rights Issue Equity Shares in Part 'C' of the CAF to receive Allotment of such Rights Issue Equity Shares. The Renounees applying for all the Rights Issue Equity Shares renounced in their favour may also apply for additional Rights Issue Equity Shares. Part 'A' of the CAF must not be used by the Renounee(s) as this will render the application invalid. Renounee(s) will have no further right to renounce any Rights Issue Equity Shares in favour of any other person.

Procedure for renunciation

To renounce all the Equity Shares offered to an Equity Shareholder in favour of one Renounee

If you wish to renounce the offer indicated in Part 'A', in whole, please complete Part 'B' of the CAF. In case of joint holding, all joint holders must sign Part 'B' of the CAF. The person in whose favour renunciation has been made should complete and sign Part 'C' of the CAF. In case of joint Renounees, all joint Renounees must sign Part 'C' of the CAF.

To renounce in part / or renounce the whole to more than one person(s)

If you wish to either accept this offer in part and renounce the balance or renounce the entire offer under this Issue in favour of two or more Renounees, the CAF must be first split into requisite number of forms. Please indicate your requirement of SAFs in the space provided for this purpose in Part 'D' of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for SAFs. On receipt of the required number of SAFs from the Registrar, the procedure as mentioned in paragraph above shall have to be followed. In case the signature of the Equity Shareholder(s), who has renounced the Equity Shares, does not match with the specimen registered with our Company, the application is liable to be rejected.

Renounee(s)

The person(s) in whose favour the Equity Shares are renounced should fill in and sign Part 'C' of the CAF and submit the entire CAF to the Bankers to the Issue on or before the Issue Closing Date along with the application money in full. The Renounee cannot further renounce.

Change and/or introduction of additional holders

If you wish to apply for Equity Shares jointly with any other person(s), not more than three, who is/are not already a joint holder with you, it shall amount to renunciation and the procedure as stated above for

renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed.

However, this right of renunciation is subject to the express condition that the Board of Directors of our Company shall be entitled in its absolute discretion to reject the request for Allotment from the Renouncee(s) without assigning any reason thereof.

Instructions for Options

The summary of options available to the Equity Shareholder is presented below. You may exercise any of the following options with regard to the Equity Shares offered, using the enclosed CAF:

Option Available	Action Required
1. Accept whole or part of your Rights Entitlement without renouncing the balance.	Fill in and sign Part A (<i>All joint holders must sign</i>)
2. Accept your Rights Entitlement in full and apply for additional Equity Shares	Fill in and sign Part A including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares (<i>All joint holders must sign</i>)
3. Accept a part of your Rights Entitlement and renounce the balance to one or more Renouncee(s) OR Renounce your Rights Entitlement to all the Equity Shares offered to you to more than one Renouncee	Fill in and sign Part D (<i>all joint holders must sign</i>) requesting for SAFs. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for receiving requests for SAFs. Splitting will be permitted only once. On receipt of the SAF take action as indicated below. For the Equity Shares you wish to accept, if any, fill in and sign Part A. For the Equity Shares you wish to renounce, fill in and sign Part B indicating the number of Equity Shares renounced and hand it over to the Renouncee. Each of the Renouncee should fill in and sign Part C for the Equity Shares accepted by them.
4. Renounce your Rights Entitlement in full to one person (<i>Joint Renouncees are considered as one</i>).	Fill in and sign Part B (<i>all joint holders must sign</i>) indicating the number of Equity Shares renounced and hand it over to the Renouncee. The Renouncee must fill in and sign Part C (<i>All joint Renouncees must sign</i>)
5. Introduce a joint holder or change the sequence of joint holders	This will be treated as a renunciation. Fill in and sign Part B and the Renouncee must fill in and sign Part C.

Please note that:

- Part 'A' of the CAF must not be used by any person(s) other than the Equity Shareholder to whom this Letter of Offer has been addressed. If used, this will render the application invalid.
- Request for Split Application Forms/SAF should be made for a minimum of one Equity Share or, in either case, in multiples thereof and one SAF for the balance Equity Shares, if any.
- Request by the Investor for the SAFs should reach the Registrar on or before [●].
- Only the Equity Shareholder to whom this Letter of Offer has been addressed shall be entitled to renounce and to apply for SAFs. Forms once split cannot be split further.

- SAFs will be sent to the Investor (s) by post at the applicant's risk.
- Equity Shareholders may not renounce in favour of persons or entities in the United States, who are not Qualified Institutional Buyers (as defined the US Securities Act), or who would otherwise be prohibited from being offered or subscribing for Equity Shares or Rights Entitlement under applicable securities laws.

Availability of duplicate CAF

In case the original CAF is not received, or is misplaced by the Investor, the Registrar to the Issue will issue a duplicate CAF on the request of the Investor who should furnish the registered folio number/ DP and Client ID number and his/ her full name and address to the Registrar to the Issue. Please note that the request for duplicate CAF should reach the Registrar to the Issue within eight days from the Issue Opening Date. Please note that those who are making the application in the duplicate form should not utilize the original CAF for any purpose including renunciation, even if it is received/ found subsequently. If the Investor violates such requirements, he / she shall face the risk of rejection of both the applications.

Application on Plain Paper

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Issue on plain paper, along with demand draft (after deducting banking and postal charges) payable at Mumbai which should be drawn in favour of "LGB Forge Limited – Rights Issue - R" in case of resident shareholders and non-resident shareholders applying on non-repatriable basis and in favour of "LGB Forge Limited – Rights Issue – NR" in case of non-resident shareholders applying on repatriable basis and send the same by registered post directly to the Registrar to the Issue so as to reach Registrar to the Issue on or before the Issue Closing Date. The envelope should be superscribed "LGB Forge Limited – Rights Issue - R" in case of resident shareholders and Non-resident shareholders applying on non-repatriable basis, and "LGB Forge Limited – Rights Issue – NR" in case of non-resident shareholders applying on repatriable basis.

The application on plain paper, duly signed by the applicant(s) including joint holders, in the same order as per specimen recorded with our Company, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars:

- Name of Issuer, being LGB Forge Limited;
- Name and address of the Equity Shareholder including joint holders;
- Registered Folio Number/ DP and Client ID no.;
- Number of Equity Shares held as on Record Date;
- Number of Equity Shares entitled to;
- Number of Equity Shares applied for;
- Number of additional Equity Shares applied for, if any;
- Total number of Equity Shares applied for;
- Total amount paid at the rate of ₹ 2.75 per Equity Share;
- Particulars of cheque/draft;
- Savings/Current Account Number and name and address of the bank where the Equity Shareholder will be depositing the refund order; and
- Except for applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, PAN number of the Investor and for each Investor in case of joint names, irrespective of the total value of the Equity Shares applied for pursuant to the Issue.
- Additionally, all such applicants are deemed to have accepted the following:

"I/We understand that neither the Rights Entitlement nor the Equity Shares have been, and will be, registered under the United States Securities Act of 1933, as amended (the "US Securities Act") or any United States state securities laws, and may not be offered, sold, resold or otherwise transferred within the United States or to the territories or possessions thereof (the "United States"). I/we understand the Equity

Shares referred to in this application are being offered in India but not in the United States. I/we understand the offering to which this application relates is not, and under no circumstances is to be construed as, an offering of any Equity Shares or Rights Entitlement for sale in the United States, or as a solicitation therein of an offer to buy any of the said Equity Shares or Rights Entitlement in the United States. Accordingly, I/we understand this application should not be forwarded to or transmitted in or to the United States at any time. I/we understand that none of our Company, the Registrar, the Lead Manager or any other person acting on behalf of our Company will accept subscriptions from any person, or the agent of any person, who appears to be, or who our Company, the Registrar, the Lead Manager or any other person acting on behalf of our Company has reason to believe is, a resident of the United States or is ineligible to participate in the Issue under the securities laws of their jurisdiction.

I/We will not offer, sell or otherwise transfer any of the Equity Shares which may be acquired by us in any jurisdiction or under any circumstances in which such offer or sale is not authorized or to any person to whom it is unlawful to make such offer, sale or invitation except under circumstances that will result in compliance with any applicable laws or regulations. We satisfy, and each account for which we are acting satisfies, all suitability standards for investors in investments of the type subscribed for herein imposed by the jurisdiction of our residence.

I/We understand and agree that the Rights Entitlement and Equity Shares may not be reoffered, resold, pledged or otherwise transferred except in an offshore transaction in compliance with Regulation S, or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

I/We (i) am/are, and the person, if any, for whose account I/we am/are acquiring such Rights Entitlement and/or the Equity Shares is/are, outside the United States, and (ii) is/are acquiring the Rights Entitlement and/or the Equity Shares in an offshore transaction meeting the requirements of Regulation S.

I/We acknowledge that our Company, the Lead Manager, their affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements.”

Please note that those who are making the application otherwise than on original CAF shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the Investor violates such requirements, he/she shall face the risk of rejection of both the applications. Our Company shall refund such application amount to the Investor without any interest thereon.

Last date for Application

The last date for submission of the duly filled in CAF is [●].

If the CAF together with the amount payable is not received by the Banker to the Issue/ Registrar to the Issue on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board/ Committee of Directors, the invitation to offer contained in the Letter of Offer shall be deemed to have been declined and the Board/ Committee of Directors shall be at liberty to dispose off the Equity Shares hereby offered, as provided under the chapter “Terms of the Issue – Basis of Allotment” on page 149 of this Letter of Offer.

Basis of Allotment

Subject to the provisions contained in the Letter of Offer/ Abridged Letter of Offer/ CAF, the Articles of Association of our Company and the approval of the Designated Stock Exchange, the Board will proceed to allot the Equity Shares in the following order of priority:

- a. Full Allotment to those Equity Shareholders who have applied for their Rights Entitlement either in full or in part and also to the Renouncee(s) who has/ have applied for Equity Shares renounced in their

favour, in full or in part.

- b. Allotment to the Equity Shareholders who having applied for all the Equity Shares offered to them as part of the Issue and have also applied for additional Equity Shares. The Allotment of such additional Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there is an under-subscribed portion after making full Allotment in (a) above. The Allotment of such Equity Shares will be at the sole discretion of the Board / Committee of Directors in consultation with the Designated Stock Exchange, as a part of the Issue and will not be a preferential Allotment.
- c. Allotment to Renounees who having applied for all the Equity Shares renounced in their favour, have applied for additional Equity Shares provided there is surplus available after making full Allotment under (a) and (b) above. The Allotment of such Equity Shares will be at the sole discretion of the Board/Committee of Directors in consultation with the Designated Stock Exchange, as a part of the Issue and not preferential Allotment;
- d. Allotment to any other person as the Board may in its absolute discretion deem fit provided there is surplus available after making full Allotment under (a), (b) and (c) above.

After taking into account Allotment to be made under (a) to (d) above, if there is any unsubscribed portion, the same shall be deemed to be ‘unsubscribed’ for the purpose of regulation 10(4)(b) of the Takeover Code. The Promoter and Promoter Group have confirmed that they intend to subscribe collectively to the full extent of their Rights Entitlement in the Issue. The Promoter and Promoter Group have provided an undertaking dated December 5, 2011 to our Company to apply for additional Equity Shares, to the extent of the unsubscribed portion of the Issue, if any, from the public shareholders. As a result of this subscription and consequent Allotment, the Promoter and Promoter Group may acquire Equity Shares over and above their Rights Entitlement in the Issue, which may result in an increase of the shareholding being above the current shareholding with the Rights Entitlement. Such subscription and acquisition of additional Equity Shares by the Promoter and the Promoter Group through this Issue, if any, will not result in change of control of the management of our Company. Assuming no subscription from the public is received and the Promoter and Promoter group subscribing to such unsubscribed portion in full, their post Issue shareholding in our Company may increase to 70.25% from the present 55.38% as on September 30, 2011. Thus, post Issue, the public shareholding in our Company would stand at 29.75% which is in compliance with “continuous listing requirements” as per the provisions of Rule 19(A)(1) of SCRR. Further, such acquisition is exempted from the obligation to make an open offer as the conditions prescribed in Regulation 10(4)(b) of the Takeover Code are duly complied with.

Underwriting

This Issue of Equity Shares is not being underwritten and/or no standby support is being sought for the said Issue.

PROCEDURE FOR APPLICATION THROUGH THE APPLICATIONS SUPPORTED BY BLOCKED AMOUNT (“ASBA”) PROCESS

This section is for the information of the ASBA Investors proposing to subscribe to the Issue through the ASBA Process. Our Company and the Lead Manager are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Letter of Offer. Equity Shareholders who are eligible to apply under the ASBA Process are advised to make their independent investigations and to ensure that the CAF is correctly filled up, specifying the number of the bank account maintained with the Self Certified Syndicate Bank (“SCSB”) in which the Application Money will be blocked by the SCSB.

The Lead Manager, our Company, its directors, affiliates, associates and their respective directors and officers and the Registrar to the Issue shall not take any responsibility for acts, mistakes, errors,

omissions and commissions etc. in relation to applications accepted by SCSBs, Applications uploaded by SCSBs, applications accepted but not uploaded by SCSBs or applications accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for applications uploaded by SCSBs, the amount payable on application has been blocked in the relevant ASBA Account.

The list of banks which have been notified by SEBI to act as SCSBs for the ASBA Process is provided on <http://www.sebi.gov.in/pmd/scsb.pdf>. For details on Designated Branches of SCSBs collecting the CAF, please refer the above mentioned SEBI link.

ASBA Investors who are eligible to apply under the ASBA Process

An ASBA Investor is an investor (either Equity Shareholder or Renounee) who is intending to subscribe the Equity Shares of our Company under this Issue applying through blocking of funds in a bank account maintained with SCSBs.

All QIBs and Non-Institutional Investors, complying with the above conditions, must mandatorily invest through the ASBA process. All Retail Individual Investors complying with the above conditions may optionally apply through the ASBA process.

CAF

The Registrar will dispatch the CAF to all Equity Shareholders as per their Rights Entitlement on the Record Date for the Issue. Those Equity Shareholders who must apply or who wish to apply through the ASBA payment mechanism will have to select for this mechanism in Part A of the CAF and provide necessary details.

Equity Shareholders desiring to use the ASBA Process are required to submit their applications by selecting the ASBA Option in Part A of the CAF. Application in electronic mode will only be available with such SCSBs who provide such facility. The Equity Shareholder shall submit the CAF to the SCSB for authorising such SCSB to block an amount equivalent to the amount payable on the application in the said bank account maintained with the same SCSB.

Acceptance of the Issue

You may accept the Issue and apply for the Equity Shares either in full or in part, by filling Part A of the respective CAFs sent by the Registrar, selecting the ASBA process option in Part A of the CAF and submit the same to the SCSB before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors of our Company in this regard.

Mode of payment

The ASBA Investor applying under the ASBA Process agrees to block the entire amount payable on application with the submission of the CAF, by authorizing the SCSB to block an amount, equivalent to the amount payable on application, in a bank account maintained with the SCSB.

After verifying that sufficient funds are available in the bank account details of which are provided in the CAF, the SCSB shall block an amount equivalent to the amount payable on application mentioned in the CAF until it receives instructions from the Registrar. Upon receipt of intimation from the Registrar, the SCSBs shall transfer such amount as per the Registrar's instruction from the bank account maintained with the SCSB, as mentioned by the ASBA Investor in the CAF. This amount will be transferred in terms of the SEBI Regulations, into the separate bank account maintained by our Company as per the provisions of section 73(3) of the Companies Act. The balance amount remaining after the finalisation of the basis of Allotment shall be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the Issue and the Lead Manager to the respective SCSB.



The ASBA Investor applying under the ASBA Process would be required to block the entire amount payable on their application at the time of the submission of the CAF.

The SCSB may reject the application at the time of acceptance of CAF if the bank account with the SCSB details of which have been provided by the ASBA Investor in the CAF does not have sufficient funds equivalent to the amount payable on application mentioned in the CAF. Subsequent to the acceptance of the application by the SCSB, our Company would have a right to reject the application only on technical grounds.

Options available to the Equity Shareholder/ ASBA Investor applying under the ASBA Process

The summary of options available to the Equity Shareholders is presented below. You may exercise any of the following options with regard to the Equity Shares, using the respective CAFs received from Registrar:

Option Available	Action Required
1. Accept whole or part of your Rights Entitlement without Fill in and sign Part A of the CAF <i>(All joint holders renouncing the balance.</i>	<i>must sign)</i>
2. Accept your Rights Entitlement in full and apply for additional Equity Shares	Fill in and sign Part A of the CAF including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares <i>(All joint holders must sign)</i>
3. Renounce your Rights Entitlement in full to one person <i>(joint Renouncees are considered as one)</i>	Fill in and sign Part B <i>(all joint holders must sign)</i> indicating the number of Equity Shares renounced and hand it over to the Renouncee. The Renouncee must fill in and sign Part C <i>(All joint Renouncees must sign).</i>

An ASBA Investor who is applying under the ASBA Process will need to select the ASBA process option in the CAF and provide required necessary details. However, in cases where this option is not selected, but the CAF is tendered to the SCSBs with the relevant details required under the ASBA process option and the SCSBs block the requisite amount, then that CAF would be treated as if the ASBA Investor has selected to apply through the ASBA process option.

Please note that pursuant to the applicability of the directions issued by SEBI vide its circular bearing number CIR/CFD/DIL/1/2011 dated April 29, 2011, all applicants who are QIBs, Non Institutional Investors or are applying in this Issue for Equity Shares for an amount exceeding ₹ 2,00,000 shall mandatorily make use of ASBA facility.

Additional Equity Shares

You are eligible to apply for additional Equity Shares over and above the number of Equity Shares that you are entitled to, provided that you are eligible to apply for Equity Shares under applicable law and you have applied for all the Equity Shares (as the case may be) offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional Equity Shares shall be considered and Allotment shall be made at the sole discretion of the Board, in consultation with the Designated Stock Exchange and in the manner prescribed under “Terms of the Issue - Basis of Allotment” on page 149 of this Letter of Offer. The Renouncee applying for all the Equity Shares renounced in their favour may also apply for additional Rights Issue Equity Shares. If you desire to apply for additional Equity Shares please indicate your requirement in the place provided for additional Equity Shares in Part A of the CAF.

Application on Plain Paper

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF and who is applying under the ASBA Process may make an application to subscribe to the Issue on plain paper.

The envelope should be superscribed “LGB Forge Limited – Rights Issue”. The application on plain paper, duly signed by the Investors including joint holders, in the same order as per the specimen recorded with our Company, must reach the SCSBs before the Issue Closing Date and should contain the following particulars:

- Name of Issuer, being LGB Forge Limited;
- Name and address of the Equity Shareholder including joint holders;
- Registered Folio Number/ DP and Client ID no.;
- Number of Equity Shares held as on Record Date;
- Number of Equity Shares entitled to;
- Number of Equity Shares applied for;
- Number of additional Equity Shares applied for, if any;
- Total number of Equity Shares applied for;
- Total amount to be blocked at the rate of ₹ 2.75 per Equity Share; and
- Except for applications on behalf of the Central or State Government and the officials appointed by the courts, PAN number of the Investor and for each Investor in case of joint names, irrespective of the total value of the Equity Shares applied for pursuant to the Issue.
- Signature of the Equity Shareholders to appear in the same sequence and order as they appear in the records of our Company.
- Additionally, all such applicants are deemed to have accepted the following:

“I/We understand that neither the Rights Entitlement nor the Equity Shares have been, and will be, registered under the United States Securities Act of 1933, as amended (the “US Securities Act”) or any United States state securities laws, and may not be offered, sold, resold or otherwise transferred within the United States or to the territories or possessions thereof (the “United States”). I/we understand the Equity Shares referred to in this application are being offered in India but not in the United States. I/we understand the offering to which this application relates is not, and under no circumstances is to be construed as, an offering of any Equity Shares or Rights Entitlement for sale in the United States, or as a solicitation therein of an offer to buy any of the said Equity Shares or Rights Entitlement in the United States. Accordingly, I/we understand this application should not be forwarded to or transmitted in or to the United States at any time. I/we understand that none of our Company, the Registrar, the Lead Manager or any other person acting on behalf of our Company will accept subscriptions from any person, or the agent of any person, who appears to be, or who our Company, the Registrar, the Lead Manager or any other person acting on behalf of our Company has reason to believe is, a resident of the United States or is ineligible to participate in the Issue under the securities laws of their jurisdiction.

I/We will not offer, sell or otherwise transfer any of the Equity Shares which may be acquired by us in any jurisdiction or under any circumstances in which such offer or sale is not authorized or to any person to whom it is unlawful to make such offer, sale or invitation except under circumstances that will result in compliance with any applicable laws or regulations. We satisfy, and each account for which we are acting satisfies, all suitability standards for investors in investments of the type subscribed for herein imposed by the jurisdiction of our residence.

I/We understand and agree that the Rights Entitlement and Equity Shares may not be reoffered, resold, pledged or otherwise transferred except in an offshore transaction in compliance with Regulation S, or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

I/We (i) am/are, and the person, if any, for whose account I/we am/are acquiring such Rights Entitlement and/or the Equity Shares is/are, outside the United States, and (ii) is/are acquiring the Rights Entitlement and/or the Equity Shares in an offshore transaction meeting the requirements of Regulation S.

I/We acknowledge that our Company, the Lead Manager, their affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements.”



Option to receive Equity Shares in Dematerialized Form

EQUITY SHAREHOLDERS UNDER THE ASBA PROCESS MAY PLEASE NOTE THAT THE EQUITY SHARES OF OUR COMPANY UNDER THE ASBA PROCESS CAN BE ALLOTTED IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH THE EQUITY SHARES ARE HELD BY SUCH ASBA APPLICANT ON THE RECORD DATE.

Issuance of Intimation Letters

Upon approval of the basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send the Controlling Branches, a list of the ASBA Investors who have been allocated Equity Shares in the Issue, along with:

- The number of Equity Shares to be allotted against each successful ASBA;
- The amount to be transferred from the ASBA Account to the separate account opened by our Company for Rights Issue, for each successful ASBA;
- The date by which the funds referred to in para above, shall be transferred to separate account opened by our Company for Rights Issue; and
- The details of rejected ASBAs, if any, along with reasons for rejection to enable SCSBs to unblock the respective ASBA Accounts.

General instructions for Equity Shareholders applying under the ASBA Process

- a. Please read the instructions printed on the CAF carefully.
- b. Application should be made on the printed CAF and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/or which are not completed in conformity with the terms of the Letter of Offer, Abridged Letter of Offer are liable to be rejected. The CAF must be filled in English.
- c. The CAF in the ASBA Process should be submitted at a Designated Branch of the SCSB and whose bank account details are provided in the CAF and not to the Bankers to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to our Company or Registrar or Lead Manager to the Issue.
- d. All applicants, and in the case of application in joint names, each of the joint applicants, should mention his/her PAN number allotted under the Income-Tax Act, 1961, irrespective of the amount of the application. Except for applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, **CAFs without PAN will be considered incomplete and are liable to be rejected. With effect from August 16, 2010, the demat accounts for Investors for which PAN details have not been verified shall be “suspended for credit” and no allotment and credit of Equity Shares shall be made into the accounts of such Investors.**
- e. All payments will be made by blocking the amount in the bank account maintained with the SCSB. Cash payment or payment by cheque / demand draft / pay order is not acceptable. In case payment is affected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon.
- f. Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal. The Equity Shareholders must sign the CAF as per the specimen signature recorded with our Company and/or Depositories.

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- g. In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with the depository / our Company. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.
 - h. All communication in connection with application for the Equity Shares, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of Allotment in this Issue quoting the name of the first/sole applicant Equity Shareholder, folio numbers and CAF number.
 - i. ASBA Investors who intend to subscribe the Equity Shares of our Company under this Issue shall be eligible to participate under the ASBA Process.
 - j. Only persons outside restricted jurisdictions and who are eligible to subscribe for Rights Entitlement and Equity Shares under applicable securities laws are eligible to participate.
 - k. Equity shareholders who have renounced their entitlement in part/ full are also entitled to apply using ASBA process.
 - l. **Please note that pursuant to the applicability of the directions issued by SEBI vide its circular bearing number CIR/CFD/DIL/1/2011 dated April 29, 2011, all applicants who are QIBs, Non Institutional Investors or are applying in this Issue for Equity Shares for an amount exceeding ₹ 2,00,000 shall mandatorily make use of ASBA facility.**

Do's:

- a. Ensure that the ASBA Process option is selected in the CAF and necessary details are filled in.
- b. Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares may be allotted in the dematerialized form.
- c. Ensure that the CAFs are submitted with the Designated Branch of the SCSBs and details of the correct bank account have been provided in the CAF.
- d. Ensure that there are sufficient funds (equal to {number of Equity Shares as the case may be applied for} X {Issue Price of Equity Shares, as the case may be}) available in the bank account maintained with the SCSB mentioned in the CAF before submitting the CAF to the respective Designated Branch of the SCSB.
- e. Ensure that you have authorised the SCSB for blocking funds equivalent to the total amount payable on application mentioned in the CAF, in the bank account maintained with the respective SCSB, of which details are provided in the CAF and have signed the same.
- f. Ensure that you receive an acknowledgement from the SCSB for your submission of the CAF in physical form.
- g. Except for CAFs submitted on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, each applicant should mention their PAN allotted under the I. T. Act.
- h. Ensure that the name(s) given in the CAF is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the CAF is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the CAF.
- i. Ensure that the Demographic Details are updated, true and correct, in all respects.
- j. Ensure that the account holder in whose bank account the funds are to be blocked has signed authorising such funds to be blocked.
- k. Apply under the ASBA process only if you comply with the definition of an ASBA investor.



Don'ts:

- a. Do not apply if you are in the United States of America or are not eligible to participate in the Issue under the securities laws applicable to your jurisdiction.
- b. Do not apply on duplicate CAF after you have submitted a CAF to a Designated Branch of the SCSB.
- c. Do not pay the amount payable on application in cash, by money order or by postal order.
- d. Do not send your physical CAFs to the Lead Manager to Issue / Registrar / Collecting Banks (assuming that such Collecting Bank is not a SCSB) / to a branch of the SCSB which is not a Designated Branch of the SCSB / Company; instead submit the same to a Designated Branch of the SCSB only.
- e. Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground.
- f. Do not apply if the ASBA account has been used for five applicants.

Grounds for Technical Rejection under the ASBA Process

In addition to the grounds listed under “Grounds for Technical Rejection for non-ASBA Investors” on page 163 of this Letter of Offer, applications under the ASBA Process are liable to be rejected on the following grounds:

- a. DP ID and Client ID mentioned in CAF not matching with the DP ID and Client ID records available with the Registrar.
- b. Sending CAF to a Lead Manager / Registrar / Collecting Bank (assuming that such Collecting Bank is not a SCSB) / to a branch of a SCSB which is not a Designated Branch of the SCSB / Company.
- c. Insufficient funds are available with the SCSB for blocking the amount.
- d. Funds in the bank account with the SCSB whose details are mentioned in the CAF having been frozen pursuant to regulatory orders.
- e. Account holder not signing the CAF or declaration mentioned therein.
- f. CAFs that do not include the certification set out in the CAF to the effect that the subscriber does not have a registered address (and is not otherwise located) in restricted jurisdictions and is authorized to acquire the rights and the securities in compliance with all applicable laws and regulations.
- g. CAFs which have evidence of being executed in/dispatched from restricted jurisdiction.
- h. An ASBA Investor, who is not complying with any or all of the conditions for being an ASBA Investor, applies under the ASBA process.

Depository account and bank details for Equity Shareholders applying under the ASBA Process

IT IS ADVISABLE FOR ALL THE EQUITY SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALIZED FORM. ALL EQUITY SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE CAF. EQUITY SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS MUST ENSURE THAT THE NAME GIVEN IN THE CAF IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE CAF IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE CAF.

Equity Shareholders applying under the ASBA Process should note that on the basis of name of these Equity Shareholders, Depository Participant's name and identification number and beneficiary account number provided by them in the CAF, the Registrar to the Issue will obtain from the Depository demographic details of these Equity Shareholders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Equity Shareholders applying under the ASBA Process should carefully fill in their Depository Account details in the CAF.

These Demographic Details would be used for all correspondence with such Equity Shareholders including mailing of the letters intimating unblocking of bank account of the respective Equity Shareholder. The Demographic Details given by the Equity Shareholders in the CAF would not be used for any other purposes by the Registrar. Hence, Equity Shareholders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the CAFs, the Equity Shareholders applying under the ASBA Process would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Letters intimating Allotment and unblocking the funds would be mailed at the address of the Equity Shareholder applying under the ASBA Process as per the Demographic Details received from the Depositories. The Registrar to the Issue will give instructions to the SCSBs for unblocking funds in the bank account utilised under the ASBA process to the extent equity shares are not allotted to such shareholders. Equity Shareholders applying under the ASBA Process may note that delivery of letters intimating unblocking of the funds may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Equity Shareholder in the CAF would be used only to ensure dispatch of letters intimating unblocking of the funds.

Note that any such delay shall be at the sole risk of the Equity Shareholders applying under the ASBA Process and none of our Company, the SCSBs or the Lead Manager shall be liable to compensate the Equity Shareholder applying under the ASBA Process for any losses caused due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, (a) names of the Equity Shareholders (including the order of names of joint holders), (b) the DP ID and (c) the beneficiary account number, then such applications are liable to be rejected.

Issue Schedule

Issue Opening Date:	[•]
Last date for receiving requests for SAFs	[•]
Issue Closing Date:	[•]

The Board may however decide to extend the Issue period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

Allotment Advices / Refund Orders

Our Company will issue and dispatch Allotment advice/ share certificates/demat credit and/or letters of regret along with refund order or credit the allotted Equity Shares to the respective beneficiary accounts, if any, within a period of 15 days from the Issue Closing Date. If such money is not repaid within eight days from the day our Company becomes liable to repay it, (i.e. 15 days after the Issue Closing Date or the date of the refusal by the Stock Exchange(s), whichever is earlier) our Company and every Director of our Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to pay the money with interest as prescribed under Section 73 of the Companies Act.

Investors residing at centers where clearing houses are managed by the RBI will get refunds through National Electronic Clearing Service (“NECS”) except where Investors have not provided the details required to send electronic refunds.

In case of those Investors who have opted to receive their Rights Entitlement in dematerialized form using electronic credit under the depository system, advice regarding their credit of the Equity Shares shall be given separately. Investors to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 15 days of the Issue Closing Date.

In case of those Investors who have opted to receive their Rights Entitlement in physical form and our Company issues letter of allotment, the corresponding share certificates will be kept ready within three months from the date of Allotment thereof or such extended time as applicable under Section 113 of the Companies Act or other applicable provisions, if any. Investors are requested to preserve such letters of allotment, which would be exchanged later for the share certificates. For more information, please see the chapter “Terms of the Issue” on page 141 of this Letter of Offer.

The letter of allotment / refund order would be sent by registered post/speed post to the sole/first Investor’s registered address. Such refund orders would be payable at par at all places where the applications were originally accepted. The same would be marked ‘Account Payee only’ and would be drawn in favour of the sole/first Investor. Adequate funds would be made available to the Registrar to the Issue for this purpose.

Payment of Refund

Mode of making refunds

The payment of refund, if any, would be done through any of the following modes:

1. NECS – Payment of refund would be done through NECS for Investors having an account at any of the 68 centres where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories/the records of the Registrar. The payment of refunds is mandatory for Investors having a bank account at any centre where NECS facility has been made available (subject to availability of all information for crediting the refund through NECS).
2. NEFT – Payment of refund shall be undertaken through NEFT wherever the Investors’ bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a MICR, allotted to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the Investors have registered their nine digit MICR number and their bank account number with the registrar to our Company or with the depository participant while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the Investors through this method.
3. Direct Credit – Investors having bank accounts with the Bankers to the Issue shall be eligible to receive refunds through direct credit. Charges, if any, levied by the relevant bank(s) for the same would be borne by our Company.
4. RTGS – If the refund amount exceeds ₹ 2 lacs, the investors have the option to receive refund through RTGS. Such eligible Investors who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the CAF. In the event the same is not provided, refund shall be made through NECS or any other eligible mode. Charges, if any, levied by the refund bank(s) for the same would be borne by our Company. Charges, if any, levied by the Investor’s bank receiving the credit would be borne by the Investor.

5. For all other Investors the refund orders will be despatched through Speed Post/ Registered Post. Such refunds will be made by cheques, pay orders or demand drafts drawn in favour of the sole/first Investor and payable at par.
6. Credit of refunds to Investors in any other electronic manner permissible under the banking laws, which are in force, and are permitted by the SEBI from time to time.

Printing of Bank Particulars on Refund Orders

As a matter of precaution against possible fraudulent encashment of refund orders due to loss or misplacement, the particulars of the Investor's bank account are mandatorily required to be given for printing on the refund orders. Bank account particulars, where available, will be printed on the refund orders/refund warrants which can then be deposited only in the account specified. The Company will in no way be responsible if any loss occurs through these instruments falling into improper hands either through forgery or fraud.

Allotment advice / Share Certificates/ Demat Credit

Allotment advice/ share certificates/ demat credit or letters of regret will be dispatched to the registered address of the first named Investor or respective beneficiary accounts will be credited within 15 days, from the Issue Closing Date. Allottees are requested to preserve such allotment advice (if any) to be exchanged later for share certificates and for record purposes.

Option to receive Equity Shares in Dematerialized Form

Investors shall be allotted the Equity Shares in dematerialized (electronic) form at the option of the Investor. Our Company has signed a tripartite agreement with NSDL and CDSL on April 11, 2008 respectively which enables the Investors to hold and trade in Equity Shares in a dematerialized form, instead of holding the Equity Shares in the form of physical certificates.

In this Issue, the allottees who have opted for Equity Shares in dematerialized form will receive their Equity Shares in the form of an electronic credit to their beneficiary account as given in the CAF, after verification with a depository participant. Investor will have to give the relevant particulars for this purpose in the appropriate place in the CAF. Allotment advice, refund order (if any) would be sent directly to the Investor by the Registrar to the Issue but the Investor's depository participant will provide to him the confirmation of the credit of such Equity Shares to the Investor's depository account. CAFs, which do not accurately contain this information, will be given the Equity Shares in physical form. No separate CAFs for Equity Shares in physical and/or dematerialized form should be made.

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES OF THE COMPANY CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALIZED FORM.

The procedure for availing the facility for Allotment of Equity Shares in this Issue in the electronic form is as under:

- Open a beneficiary account with any depository participant (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is registered in the records of our Company. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as registered in the records of our Company). In case of Investors having various folios in our Company with different joint holders, the Investors will have to open separate accounts for such holdings. *Those Equity Shareholders who have already opened such beneficiary account(s) need not adhere to this step.*

- For Equity Shareholders already holding Equity Shares in dematerialized form as on the Record Date, the beneficial account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Equity Shares by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the Allotment of Equity Shares arising out of this Issue may be made in dematerialized form even if the original Equity Shares are not dematerialized. Nonetheless, it should be ensured that the depository account is in the name(s) of the Equity Shareholders and the names are in the same order as in the records of our Company.

The responsibility for correctness of information (including Investor's age and other details) filled in the CAF vis-à-vis such information with the Investor's depository participant, would rest with the Investor. Investors should ensure that the names of the Investors and the order in which they appear in CAF should be the same as registered with the Investor's depository participant.

If incomplete / incorrect beneficiary account details are given in the CAF, the Investor will get Equity Shares in physical form.

The Equity Shares allotted to applicants opting for issue in dematerialized form, would be directly credited to the beneficiary account as given in the CAF after verification. Allotment advice, refund order (if any) would be sent directly to the applicant by the Registrar to the Issue but the applicant's depository participant will provide to the applicant the confirmation of the credit of such Equity Shares to the applicant's depository account.

Renounees will also have to provide the necessary details about their beneficiary account for Allotment of Equity Shares in this Issue. In case these details are incomplete or incorrect, renounees shall get the Equity Shares in physical form.

General instructions for non-ASBA Investors

- (a) Please read the instructions printed on the enclosed CAF carefully.
- (b) Application should be made on the printed CAF, provided by our Company except as mentioned under the head "Application on Plain Paper" on page 148 of this Letter of Offer and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/ or which are not completed in conformity with the terms of the Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any. The CAF must be filled in English and the names of all the Investors, details of occupation, address, father's / husband's name must be filled in block letters.

The CAF together with the cheque/demand draft should be sent to the Bankers to the Issue/Collecting Bank and not to our Company or Lead Manager to the Issue. Investors residing at places other than cities where the branches of the Bankers to the Issue have been authorised by our Company for collecting applications, will have to make payment by Demand Draft payable at Mumbai of an amount net of bank and postal charges and send their CAFs to the Registrar to the Issue by registered post. If any portion of the CAF is/are detached or separated, such application is liable to be rejected.

Applications where separate cheques/demand drafts are not attached for amounts to be paid for Equity Shares are liable to be rejected.

- (c) Except for applications on behalf of the Central and State Government, the residents of Sikkim and the officials appointed by the courts, all Investors, and in the case of application in joint names, each of the joint Investors, should mention his/her PAN number allotted under the I.T. Act, 1961, irrespective of the amount of the application. **CAF's without PAN will be considered incomplete and are liable to be rejected.**

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- (d) Investors are advised that it is mandatory to provide information as to their savings/current account number and the name of the bank with whom such account is held in the CAF to enable the Registrar to the Issue to print the said details in the refund orders, if any, after the names of the payees. Application not containing such details is liable to be rejected.
- (e) All payment should be made by cheque/demand draft only. Application through the ASBA process as mentioned above is acceptable. Cash payment is not acceptable. In case payment is effected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon.
- (f) Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/ her official seal. The Equity Shareholders must sign the CAF as per the specimen signature recorded with our Company.
- (g) In case of an application under power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to the signatory to make the relevant investment under this Issue and to sign the application and a copy of the Memorandum and Articles of Association and / or bye laws of such body corporate or society must be lodged with the Registrar to the Issue giving reference of the serial number of the CAF. In case the above referred documents are already registered with our Company, the same need not be a furnished again. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closing Date, then the application is liable to be rejected. In no case should these papers be attached to the application submitted to the Bankers to the Issue.
- (h) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with our Company. Further, in case of joint Investors who are Renounees, the number of Investors should not exceed three. In case of joint Investors, reference, if any, will be made in the first Investor's name and all communication will be addressed to the first Investor.
- (i) Application(s) received from NRs/NRIs, or persons of Indian origin residing abroad for Allotment of Equity Shares shall, *inter alia*, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of application money, Allotment of Equity Shares, subsequent issue and Allotment of Equity Shares, interest, export of share certificates, etc. In case a NR or NRI Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF. Additionally, applications will not be accepted from NRs/NRIs in the United States or its territories and possessions, or any other jurisdiction where the offer or sale of the Rights Entitlements and Equity Shares may be restricted by applicable securities laws.
- (j) All communication in connection with application for the Equity Shares, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of Allotment in this Issue quoting the name of the first/sole Investor, folio numbers and CAF number. Please note that any intimation for change of address of Equity Shareholders, after the date of Allotment, should be sent to the Registrar and Transfer Agents of our Company, in the case of Equity Shares held in physical form and to the respective depository participant, in case of Equity Shares held in dematerialized form.
- (k) SAFs cannot be re-split.
- (l) Only the person or persons to whom Equity Shares have been offered and not Renounee(s) shall be entitled to obtain SAFs.
- (m) Investors must write their CAF number at the back of the cheque /demand draft.

- (n) Only one mode of payment per application should be used. The payment must be by cheque / demand draft drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub member of the Bankers Clearing House located at the centre indicated on the reverse of the CAF where the application is to be submitted.
- (o) A separate cheque / draft must accompany each CAF. Outstation cheques / demand drafts or post-dated cheques and postal / money orders will not be accepted and applications accompanied by such cheques / demand drafts / money orders or postal orders will be rejected.
- (p) No receipt will be issued for application money received. The Bankers to the Issue / Collecting Bank/ Registrar will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the CAF.
- (q) The distribution of the Letter of Offer and issue of Equity Shares and Rights Entitlements to persons in certain jurisdictions outside India may be restricted by legal requirements in those jurisdictions. Persons in the United States and such other jurisdictions are instructed to note the same and be guided accordingly.

Do's for non-ASBA Investors:

- a. Check if you are eligible to apply i.e. you are an Equity Shareholder on the Record Date;
- b. Read all the instructions carefully and ensure that the cheque/ draft option is selected in part A of the CAF and necessary details are filled in;
- c. In the event you hold Equity Shares in dematerialised form, ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as the Equity Shares will be allotted in the dematerialized form only;
- d. Ensure that your Indian address is available to our Company and the Registrar, in case you hold Equity Shares in physical form or the depository participant, in case you hold Equity Shares in dematerialised form;
- e. Ensure that the CAFs are submitted at the collection centres of the Banker to the Issue only on prescribed forms;
- f. Ensure that the value of the cheque/ draft submitted by you is equal to the (number of Equity Shares applied for) X (Issue Price of Equity Shares, as the case may be) before submission of the CAF;
- g. Ensure that you receive an acknowledgement from the collection centers of the collection bank for your submission of the CAF in physical form;
- h. Ensure that you mention your PAN allotted under the I.T. Act with the Application Form, except for Application on behalf of the Central and State Governments, residents of the state of Sikkim and officials appointed by the courts;
- i. Ensure that the name(s) given in the CAF is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the CAF is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the CAF;
- j. Ensure that the demographic details are updated, true and correct, in all respects.

Don'ts for non-ASBA Investors:

- a. Do not apply if you are not eligible to participate in the Issue in terms of the securities laws applicable to your jurisdiction;
- b. Do not apply on duplicate CAF after you have submitted a CAF to a collection center of the collection bank;
- c. Do not pay the amount payable on application in cash, by money order or by postal order;

- d. Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground;

Grounds for Technical Rejections for non-ASBA Investors

Investors are advised to note that applications may be rejected on technical grounds, including the following:

- Amount paid does not tally with the amount payable;
- Bank account details (for refund) are not given and the same are not available with the DP (in the case of dematerialized holdings) or the Registrar (in the case of physical holdings);
- Age of Investor(s) not given (in case of Renouncees);
- Except for CAFs on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, PAN number not given for application of any value;
- In case of CAF under power of attorney or by limited companies, corporate, trust, relevant documents are not submitted;
- If the signature of the Equity Shareholder does not match with the one given on the CAF and for renouncee(s) if the signature does not match with the records available with their depositories;
- CAFs are not submitted by the Investors within the time prescribed as per the CAF and the Letter of Offer;
- CAFs not duly signed by the sole/joint Investors;
- CAFs by OCBs without specific RBI approval;
- CAFs accompanied by outstation cheques / post-dated cheques / money order / postal order / outstation demand draft;
- In case no corresponding record is available with the depositories that matches three parameters, namely, names of the Investors (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity;
- CAFs that do not include the certifications set out in the CAF to the effect that, among other thing, the subscriber is not located in restricted jurisdictions and is authorized to acquire the Rights Entitlements and Equity Shares in compliance with all applicable laws and regulations;
- CAFs which have evidence of being executed in/dispatched from restricted jurisdictions;
- CAFs by ineligible non-residents (including on account of restriction or prohibition under applicable local laws);
- CAFs where our Company believes that CAF is incomplete or acceptance of such CAF may infringe applicable legal or regulatory requirements;
- In case the GIR number is submitted instead of the PAN;
- Applications by Renouncees who are persons not competent to contract under the Indian Contract Act, 1872, including minors; and
- Multiple CAFs, including cases where an Investor submits CAFs along with a plain paper application.
- Applications from QIBs or from Non Institutional Investors or Investors applying in this Issue for Equity Shares for an amount exceeding ₹ 2,00,000, which are not in ASBA process.

Please read the Letter of Offer or Abridged Letter of Offer and the instructions contained therein and in the CAF carefully before filling in the CAF. The instructions contained in the CAF are an integral part of the Letter of Offer and must be carefully followed. The CAF is liable to be rejected for any non-compliance of the provisions contained in the Letter of Offer or the CAF.



Mode of payment for Resident Equity Shareholders/ Investors

- All cheques / drafts accompanying the CAF should be drawn in favour of the Collecting Bank (specified on the reverse of the CAF), crossed 'A/c Payee only' and marked "LGB Forge Limited – Rights Issue";
- Investors residing at places other than places where the bank collection centres have been opened by our Company for collecting applications, are requested to send their CAFs together with Demand Draft for the full application amount, net of bank and postal charges favouring the Bankers to the Issue, crossed 'A/c Payee only' and marked "LGB Forge Limited – Rights Issue" payable at Mumbai directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. Our Company or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.

Investment by FIIs

In accordance with the current regulations, the following restrictions are applicable for investment by FIIs:

No single FII can hold more than 10% of our Company's post-Issue paid-up share capital. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each subaccount shall not exceed 5% of the total paid-up share capital of our Company, in case such sub-account is a foreign corporate or an individual.

Applications will not be accepted from FIIs in restricted jurisdictions.

Investment by NRIs

Investments by NRIs are governed by the Portfolio Investment Scheme under Regulation 5(3)(i) of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000. Applications will not be accepted from FIIs in restricted jurisdictions.

Procedure for Applications by Mutual Funds

A separate application can be made in respect of each scheme of an Indian mutual fund registered with the SEBI and such applications shall not be treated as multiple applications. The applications made by asset management companies or custodians of a mutual fund should clearly indicate the name of the concerned scheme for which the application is being made.

PLEASE NOTE THAT PURSUANT TO THE APPLICABILITY OF THE DIRECTIONS ISSUED BY SEBI VIDE ITS CIRCULAR BEARING NUMBER CIR/CFD/DIL/1/2011 DATED APRIL 29, 2011, ALL APPLICANTS WHO ARE QIBS, NON INSTITUTIONAL INVESTORS OR ARE APPLYING IN THIS ISSUE FOR EQUITY SHARES FOR AN AMOUNT EXCEEDING RS. 2,00,000 SHALL MANDATORILY MAKE USE OF ASBA FACILITY.

Mode of payment for Non-Resident Equity Shareholders/ Investors

As regards the application by non-resident Equity Shareholders, the following conditions shall apply:

- Individual non-resident Indian applicants who are permitted to subscribe for Equity Shares by applicable local securities laws can obtain application forms from the following address:

Cameo Corporate Services Limited
"Subramanian Building",
No 1, Club House Road,
Chennai- 600 002

Tel: +91-44-28460390
Fax: +91-44-28460129
E-mail: cameo@cameoindia.com
Website: www.cameoindia.com

Contact Person: Mr R. D Ramaswamy

** The registration certificate was valid till March 31, 2011. The registrar has made an application vide its letter dated December 30, 2010 with SEBI for renewal of its certificate of registration.*

- Payment by non-residents must be made by demand draft payable at Mumbai/cheque payable drawn on a bank account maintained at Mumbai or funds remitted from abroad in any of the following ways:

Application with repatriation benefits

- By Indian Rupee drafts purchased from abroad and payable at Mumbai or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or
- By cheque/draft on a Non-Resident External Account (NRE) or FCNR Account maintained in India; or
- By Rupee draft purchased by debit to NRE/FCNR Account maintained elsewhere in India and payable in Mumbai; or FIIs registered with SEBI must remit funds from special non-resident rupee deposit account.
- Non-resident investors applying with repatriation benefits should draw cheques/drafts in favour of 'LGB Forge Limited – Rights Issue – NR' and must be crossed 'account payee only' for the full application amount, net of bank and postal charges.

Application without repatriation benefits

- As far as non-residents holding Equity Shares on non-repatriation basis are concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained in India or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Mumbai. In such cases, the Allotment of Equity Shares will be on non-repatriation basis.
- All cheques/drafts submitted by non-residents applying on a non-repatriation basis should be drawn in favour of 'LGB Forge Limited – Rights Issue – NR' and must be crossed 'account payee only' for the full application amount, net of bank and postal charges. The CAFs duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAFs before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
- Investors may note that where payment is made by drafts purchased from NRE/ FCNR/ NRO accounts as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/ FCNR/ NRO account should be enclosed with the CAF. Otherwise the application shall be considered incomplete and is liable to be rejected.
- New demat account shall be opened for holders who have had a change in status from resident Indian to NRI.

Notes:

- In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Equity Shares can be remitted outside India, subject to tax, as applicable according

to the IT Act.

- In case Equity Shares are allotted on a non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.
- The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAFs before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
- In case of an application received from non-residents, Allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by RBI as applicable at the time of making such Allotment, remittance and subject to necessary approvals.

Impersonation

As a matter of abundant caution, attention of the Investors is specifically drawn to the provisions of sub-section (1) of section 68A of the Companies Act which is reproduced below:

“ANY PERSON WHO MAKES IN A FICTITIOUS NAME AN APPLICATION TO A COMPANY FOR ACQUIRING, OR SUBSCRIBING FOR, ANY SHARES THEREIN, OR OTHERWISE INDUCES A COMPANY TO ALLOT, OR REGISTER ANY TRANSFER OF SHARES THEREIN TO HIM, OR ANY OTHER PERSON IN A FICTITIOUS NAME, SHALL BE PUNISHABLE WITH IMPRISONMENT FOR A TERM WHICH MAY EXTEND TO FIVE YEARS”.

Disposal of application and application money

No acknowledgment will be issued for the application moneys received by our Company. However, the Bankers to the Issue / Registrar to the Issue / SCSBs receiving the CAF will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF.

The Board reserves its full, unqualified and absolute right to accept or reject any application, in whole or in part, and in either case without assigning any reason thereto.

In case an application is rejected in full, the whole of the application money received will be refunded. Wherever an application is rejected in part, the balance of application money, if any, after adjusting any money due on Equity Shares allotted, will be refunded to the Investor within a period of 10 days from the Issue Closing Date. If such money is not repaid within eight days from the day our Company becomes liable to repay it, our Company and every Director of our Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest as prescribed under Section 73 of the Companies Act.

For further instructions, please read the CAF carefully.

Utilisation of Issue Proceeds

The Board of Directors declares that:

- i. All monies received out of this Issue shall be transferred to a separate bank account other than the bank account referred to sub-section (3) of Section 73 of the Companies Act;
- ii. Details of all monies utilized out of the Issue shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the purpose for which such monies have been utilised;
- iii. Details of all unutilized monies out of the Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been

invested; and

- iv. Our Company may utilize the funds collected in the Issue only after listing and trading permission is received from the Stock Exchanges in respect of this Issue.

Undertakings by our Company

Our Company undertakes the following:

1. The complaints received in respect of the Issue shall be attended to by our Company expeditiously and satisfactorily.
2. All steps for completion of the necessary formalities for listing and commencement of trading at all Stock exchanges where the Equity Shares are to be listed will be taken within seven working days of finalization of basis of Allotment.
3. The funds required for making refunds to unsuccessful applicants as per the modes disclosed shall be made available to the Registrar to the Issue by our Company.
4. The Company undertakes that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the Investor within 15 days of the Issue Closing Date, giving details of the banks where refunds shall be credited along with amount and expected date of electronic credit of refund.
5. Adequate arrangements shall be made to collect all ASBA applications and to consider them similar to non-ASBA applications while finalising the basis of Allotment.
6. The certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within the specified time.
7. No further issue of securities affecting equity capital of the Company shall be made till the securities issued/offered through the Letter of Offer Issue are listed or till the application monies are refunded on account of non-listing, under-subscription etc.
8. At any given time there shall be only one denomination of equity shares of our Company.
9. Our Company accepts full responsibility for the accuracy of information given in this Letter of Offer and confirms that to the best of its knowledge and belief, there are no other facts the omission of which makes any statement made in this Letter of Offer misleading and further confirms that it has made all reasonable enquiries to ascertain such facts.
10. All information shall be made available by the Lead Manager and the Issuer to the Investors at large and no selective or additional information would be available for a section of the Investors in any manner whatsoever including at road shows, presentations, in research or sales reports etc.
11. Our Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Issue, or the subscription level falls below 90% after the Issue Closing Date on account of cheques being returned unpaid or withdrawal of applications, the Company shall forthwith refund the entire subscription amount received within 15 days from the Issue Closing Date. If such money is not repaid within eight days from the day the Company



becomes liable to repay it, (i.e. 15 days after the Issue Closing Date or the date of the refusal by the Stock Exchange(s), whichever is earlier) the Company and every Director of the Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest as prescribed under sub-section (2) and (2A) of Section 73 of the Companies Act.

Our Promoter and Promoter Group have confirmed that they intend to subscribe collectively to the full extent of their Rights Entitlement in the Issue. Our Promoter and Promoter Group have provided an undertaking dated December 5, 2011 to our Company to apply for additional Equity Shares, to the extent of the unsubscribed portion of the Issue, if any, from the public shareholders. For more details, please see “Capital Structure” on page 15 of the Letter of Offer.

Important

- Please read this Letter of Offer carefully before taking any action. The instructions contained in the accompanying CAF are an integral part of the conditions of this Letter of Offer and must be carefully followed; otherwise the application is liable to be rejected.
- All enquiries in connection with this Letter of Offer or accompanying CAF and requests for SAFs must be addressed (quoting the Registered Folio Number/ DP and Client ID number, the CAF number and the name of the first Equity Shareholder as mentioned on the CAF and super scribed ‘LGB Forge - Rights Issue’ on the envelope and postmarked in India) to the Registrar to the Issue at the following address:

Cameo Corporate Services Limited

“Subramanian Building”,

No 1, Club House Road,

Chennai- 600 002

Tel: +91-44-28460390

Fax: +91-44-28460129

E-mail: cameo@cameoindia.com

Website: www.cameoindia.com

Contact Person: Mr R. D Ramaswamy

** The registration certificate was valid till March 31, 2011. The registrar has made an application vide its letter dated December 30, 2010 with SEBI for renewal of its certificate of registration.*

- It is to be specifically noted that this Issue of Equity Shares is subject to the risk factors mentioned in the chapter “Risk Factors” on page ix of this Letter of Offer.

The Issue will remain open for a minimum 15 days. However, our Board of Directors will have the right to extend the Issue period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.



SECTION IX – STATUTORY AND OTHER INFORMATION

Option to subscribe

Other than the present Issue, and except as disclosed in the section “Terms of the Issue” on page 141 of this Letter of Offer, our Company has not given any person any option to subscribe to the Equity Shares.

The Investors shall have an option to get the Equity Shares offered in this Issue in physical or dematerialized form.



DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION

Set forth below is certain information relating to our Company's share capital and the important terms of Articles of our Company. Please note that each provision herein below is numbered as per the corresponding article number in the Articles of Association and capitalized/defined terms herein have the same meaning given to them in the Articles of Association.

Pursuant to Schedule II of the Companies Act and the SEBI Regulations, the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares or debentures and/or on their consolidation/splitting are detailed below.

Description of Equity Shares

The authorized share capital of our Company is ₹ 2,000 lacs divided into 170,000,000 equity shares of ₹1 each and 300,000 preference shares of ₹100/- each. The Equity Shares are listed on the BSE and the NSE. As at the date of the Letter of Offer, 100,001,034 Equity Shares were issued and paid-up.

Our Company's register of members is maintained at its Registered Office.

Terms of Articles of Association

VOTING RIGHTS

7. No member shall exercise any voting right in respect of any shares registered in his name on which any calls or other sum presently payable by him have not been paid or in regard to which the company has exercised any right of lien.

SHARES AND CERTIFICATES

8. Shares Certificates shall be issued in marketable lots and where share certificates are issued for either more or less than marketable lots, sub-division or consolidation into marketable lots should be done free of charge.
9. No fee will be charged for issue of new share certificates in replacement of those which are old, or worn out or where the cages on the reverse for recording transfers have been fully utilized and for registration.
10. Notwithstanding anything contained in these articles, no application for subdivision of share or any other security into denominations less than marketable lot shall be accepted by the Board unless such sub division is required to be made to comply with a statutory provision or an order of a competent court of law or of request from a member to convert his holdings of odd lot shares into marketable lots, however, subject to verification of the company or such other circumstances as the Board may in its absolute discretion consider it necessary to do so.

LIMITATION OF TIME FOR ISSUE OF CERTIFICATES

11. Every member shall be entitled, without payment, to one or more Certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fees as the Directors may from time to time determine) to several certificates, each for one of more of such shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division consolidation or renewal of any of its shares as the case may be. Every Certificate of shares shall be under the seal of the Company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid up thereon and shall be

in such form as the directors may prescribe or approve, provided that in respect of a share or shares held jointly by several persons, the company shall not be borne to issue more than one certificate and delivery of a certificate of shares to one of several joint holders shall be sufficient delivery to all such holder.

SHARE WARRANTS

12. The bearer of a share Warrant shall be entitled, on surrendering the warrant for cancellation and paying such fee, to the Company as the Board of Directors may from time to time determine, to have his name entered, as a member in the Register of Members.

TERM OF ISSUE OF DEBENTURE

13. Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.

CALLS ON SHARES

14. The Board may from time to time make calls upon the Members in respect of any moneys unpaid on their shares (whether on account of the nominal value of the shares or by way of premium) and not made at fixed times by the conditions of allotment. Such calls shall be made on a uniform basis on all shares falling under the same class.
15. Any amount paid in advance of calls on any share may carry interest at such rate as the Board of Directors may from time to time fix but shall not have any right to dividend or participate in the profits.
16. If a sum called paid in respect of a share is not paid on or before the day appointed for the payment thereof, the holder(s) of the share, from whom the same is due, shall pay interest upon the sum from the day appointed for the payment thereof to the time of actual payment at such rate as may be determined by the board from time to time. However, the board shall be at liberty to waive payment of any such interest wholly or in part.

TRANSFER AND TRANSMISSION OF SHARES

17. No fee will be charged for registration of transfer, for subdivision and/or consolidation of certificates into market value unit of trading.
18. The company will not decline to register or acknowledge any transfer of shares on the ground of the transferor being either alone or jointly with any other persons indebted to the company on any account.
19. Not more than three persons shall be registered as joint holders in respect of shares, debentures of the Company. The Instrument of transfer shall be in writing and all the provisions of Section 108 of the Act shall be complied with.
20. The Board of Directors or its committee shall have the right to insist on the production of legal heir ship certificate, probate, succession certificate or any other documents that it may deem fit before registering transmission of shares.

NOMINATION OF SHARES

21. Every holder of shares may at any time, nominate, in the manner prescribed by the Companies Act, 1956, person to whom his shares shall vest in the event of his death. Where the shares are held by more

than one person jointly, the joint holders may together nominate a person to whom all the rights in the shares shall vest in the event of death of all the joint holders.

BUY BACK OF SHARES

22. The Company can purchase its own shares or other specified securities in the manner provided under the Act and on the terms and conditions, the Board of Directors deem fit and proper and subject to the proviso to Section 77A of the Companies Act, 1956.

ISSUE OF WARRANTS

23. The Company may issue warrants attaching a right to the holder to apply for Equity Shares and the Board of Directors may issue such warrants with terms and conditions and such rights and privileges annexed thereto as thought fit.

ISSUE OF NON-VOTING SHARES

24. The Company may issue Shares with non voting rights attached to them as may be permitted by law and the Board of Directors may issue such shares upon such terms and conditions and with such rights and privileges thereto as thought fit.

LIEN OF SHARES

25. The fully paid shares will be free from lien, while in the case of partly paid shares the Company's lien will be restricted to monies called or payable at a fixed time in respect of such shares.
26. The company shall not register any lien in respect of its shares, if the same is created by the shareholder in favour of a third party and the same is intimated to the company.
27. The Company will not forfeit unclaimed dividends before the claim becomes barred by law.
28. No person shall be given the option or right to call of shares except with the sanction of the Company in General Meeting.

UNPAID OR UNCLAIMED DIVIDEND

29. Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank called "Unpaid Dividend of LGB Forge Limited" and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted. Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for the period of seven years from the date of such transfer, shall be transferred by the company to the Investor Education and Protection Fund established by the Central Government. A claim to any money so transferred to the above fund may be preferred to the Central Government/Committee appointed by the Central Government by the Shareholders to whom the money is due. No unclaimed or unpaid dividend shall be forfeited by the Board

FURTHER ISSUE OF SHARES

30. (1) Where at the time after the expiry of two years from the formation of the company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the company by

allotment of further shares whether out of the unissued capital or out of the increased share capital then.

- a. Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion, as near as circumstances admit, to the capital paid up on those shares at the date.
- b. Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.
- c. The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause 1 (b) hereof shall contain a statement of this right. PROVIDED THAT the Directors may decline, without assigning any reasons to allot any shares to any person in whose favour any member may renounce the shares offered to him.
- d. After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and of such person(s) as they may think, in their sole discretion, fit.

(2) Notwithstanding anything contained in sub-clause (1) of article 30 thereof, the further shares aforesaid may be offered to any persons (whether, or not those persons include the persons referred to in article 30 sub-clause (1) hereof) in any manner whatsoever.

- a. If a special resolution to that effect is passed by the Company in General Meeting, or
- b. Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the Chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company.

(3) Nothing in sub-clause (c) of (1) of article 30 hereof shall be deemed.

- a. To extend the time within which the offer should be accepted; or
- b. To authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

(4) Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:

- i. To convert such debentures or loans into shares in the Company; or
- ii. To subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise).

PROVIDED THAT, the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term.

- a. Either has been approved by the Central Government before the issue of the debentures of the raising of the loans or is in conformity with the Rules, if any, made by that Government in this behalf; and
- b. In the case of debentures of loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.

SHARES AT THE DISPOSAL OF THE DIRECTORS

31. Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium at a par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.

BORROWING POWERS

32. The Board of Directors of the Company may, from time to time at its discretion borrow, or secure the payment of, any sum or sums of moneys borrowed for the operations of the Company, however, subject to the proviso Section 293(1)(d) and other applicable provisions of the Companies Act, 1956.

DELEGATION OF POWERS

33. Subject to Section 292 of the Act or any modification thereof, the Board may delegate all or any of their powers to any one or more Directors jointly or severally or any other person at their discretion.

DEMATERIALISATION OF SECURITIES

34. Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize its securities and to offer securities in a dematerialized form pursuant to the Depositories Act, 1996, or any other enactments in this regard and a depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.
35. Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository be member of the company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a depository.
36. Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer or securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a company.

NOMINEE DIRECTORS

37. Any financial institution owned or sponsored by the Central or State Government or any public or local authority or Debenture Trustee(s) shall be entitled to nominate a person as a Director of the company. Such entitlement can be exercised by such financial institution or authority or Debenture Trustee(s)

from time to time but only and until the amount(s) granted by such financial institution or authority or Debenture Holders are not completely discharged. Such Director shall not be liable to retire, but shall ipso-facto vacate office immediately on the monies owing by the company to the financial institution/ authority/Debenture holder(s) are paid off.

BOARD OF DIRECTORS

38. Unless otherwise determined by the company in general meeting the minimum and maximum number of directors shall be three and twelve respectively (including nominee directors if any).
39. The first directors of the company shall be
 1. Mr. B. Vijayakumar
 2. Mr. P. S. Balasubramanian
 3. Mr. S. Sivakumar
 4. Ms. V. Rajsri
40. The Directors may be appointed by resolution of the company in General Meeting. The Board may also appoint Additional directors in accordance with the provisions contained in regulation 72 of Table A.
41. The Board may appoint an Alternate Director, in accordance with the provisions of Section 313 of the Act.
42. No director shall be required to hold any qualification shares.
43. The Board may from time to time appoint one or more of the Director(s) to function as the Chairman/ Managing Director / Joint Managing Director/Whole time Director / Executive Director or any designation as it deems fit for such periods and on such remuneration whether by way of salary or commission or participation in profits or a combination of the above as it may think fit, subject to the provisions of the Act. The person so appointed shall not be subject to retirement by rotation.
44. The Managing Director (s) on appointment shall automatically have substantial powers of management of the company vested in him/them. Such Managing Director (s) shall however, perform all the functions and shall exercise all the powers under the control, supervision and guidance of the Board of Directors of the company.
45. The whole time director(s) shall perform all the functions and shall exercise all the powers, which the board of Directors of the company may assign and entrust. He/they shall, however, function subject to the control, guidance of the Board and supervision of the Managing Director (s), if any.
46. Every Director including a nominee director shall be paid, by way of sitting fees any amount not exceeding the maximum ceiling prescribed under the Act, for every meeting of the Board or any Committee thereof attended by him.
47. Without prejudice to Article 49 herein, every Director who comes to the meeting shall in addition be entitled to receive all traveling /incidental expenses reasonably incurred for the purpose of attending the meeting of the Board or of any Committee thereof. In case of nominee directors, the expenses as well as the sitting fee referred to Article 49 shall be paid or reimbursed to the director or to the institution directly as per the instruction of the institution.
48. Subject to the provisions of the Act, the Board may give the Directors or any of them such remuneration by way of monthly payment or a specified percentage of the net profits of the company or a combination thereof for attending to the business and affairs of the company. The Board may also fix a minimum and/ or maximum limit wherever; the remuneration is based on a percentage of the net profits.



49. In addition to the above remuneration, the Board may give to any director a special remuneration for any particular work specially entrusted to him. The board may also give to the directors the benefits of provident fund, gratuity and other benefits as it may deem fit.
50. The remuneration provided in the aforesaid articles shall be in addition to the sitting payable to Director under Article 46.

THE SEAL

51. The Board shall provide for the safe custody of the seal.
52. The seal of the Company shall not be affixed to any instrument except by the authority of the resolution of the Board or of a committee of the Board authorized by it in that behalf, and except in the presence of at least one director and of the secretary or such other person as a Board may appoint for the purpose, and the Director and the Secretary as aforesaid shall sign every instrument to which the seal of the Company is so affixed in their presence.

INDEMNITY

53. Subject to the provisions of Section 201 of the Act, every Directors, Agents, Trustee, Auditor, and other officer or servant of the Company, and his heirs, executors or administrators, shall be indemnified by the Company against all losses, costs, and expenses which any such officer or servant may incur or become liable to by reason of any contract entered into, or any act or thing done by him as such officer or servant, or any way in or about the discharge of his duties.

SECRECY

54. Every Director, Manager, Auditor, Trustee, Member of a Committee, Officer, Servant, Agent, Accountant or other person employed in this Business of the Company, if so required by the Directors before entering upon his duties, sign a declaration pledging himself to observe strict secrecy respecting all transactions of the Company with its Customers and the state of Accounts with individuals and in matters relating thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do by the directors or by any meeting or by a Court of Law and so far as may be necessary in order to comply with any requirements of Law.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The contracts referred to in para (A) below (not being contracts entered into in the ordinary course of business carried on by our Company) which are or may be deemed material have been entered into by our Company.

The contracts together with the documents referred to in para (B) below may be inspected at the registered office of our Company between 11.00 a.m. to 2.00 p.m. on any working day from the date of this Letter of Offer until the closure of the subscription list.

(A) MATERIAL CONTRACTS

1. Issue Agreement dated November 9, 2011 between our Company and Keynote Corporate Services Limited, Lead Manager to the Issue;
2. Issue Agreement dated December 1, 2011 between our Company and Cameo Corporate Services Limited, Registrar to the Issue.
3. Tripartite Agreement dated April 11, 2008 between our Company, National Securities Depository Ltd. (NSDL) and Cameo Corporate Services Limited;
4. Tripartite Agreement dated April 11, 2008 between our Company, Central Depository Services (India) Limited (CDSL) and Cameo Corporate Services Limited;
5. Banker to the Issue Agreement dated [●], 2011 between our Company, ICICI Bank Limited, Keynote Corporate Services Limited and Cameo Corporate Services Limited.

(B) DOCUMENTS FOR INSPECTION

1. Memorandum & Articles of Association of our Company;
2. Certificate of incorporation and certificate of commencement of business of our Company dated June 7, 2006 and June 21, 2008 respectively;
3. Resolution under sections 81(1) and 81(1A) of Companies Act, 1956 passed in EGM of the members of our Company held on October 29, 2011 authorising the Issue;
4. Scheme of Arrangement filed on March 31, 2008 under section 391 to 394 of the Companies Act between L G Balakrishnan & Bros. Limited, our Company and respective shareholders as approved by Hon'ble High Court, Madras;
5. Consents of the Directors, Company Secretary and Compliance Officer, Statutory Auditors, Lead Manager to the Issue, Legal Advisor to the Issue, Bankers to our Company and Registrar to the Issue to include their names in the Letter of Offer to act in their respective capacities;
6. Annual reports of our Company for the financial years ended March 31, 2007, 2008, 2009, 2010 and 2011;
7. The Report of the Statutory Auditors being, M/s. Haribhakti & Co., Chartered Accountants, as set out herein dated October 31, 2011 relating to the audited financial information of our Company.
8. A statement of tax benefits dated October 31, 2011 received from M/s. Haribhakti & Co., Chartered Accountants, Statutory Auditors regarding tax benefits available to our Company and its shareholders;



9. Certificate dated December 5, 2011 from M/s. Haribhakti & Co., Chartered Accountants, Statutory Auditors regarding “Sources & deployment of funds”;
10. Legal Due Diligence report dated November 30, 2011 by M/s Iyer & Thomas Advocates, Legal Advisor to the Issue;
11. Due Diligence Certificate dated December 5, 2011 by Keynote Corporate Services Ltd., Lead Manager to the Issue;
12. In-principle listing approval(s) dated [•] and [•] from BSE & NSE respectively;
13. Observation letter no. [•] dated [•] received from SEBI;

Any of the contracts or documents mentioned in the Letter of Offer may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the Equity Shareholders, subject to compliance with applicable law.

DECLARATION

We hereby certify that no statement made in the Draft Letter of Offer contravenes any of the provisions of the Companies Act and the rules made thereunder. We further certify that all the legal requirements connected with the Issue as also the guidelines, instructions, etc., issued by SEBI, the Government and any other competent authority in this behalf, have been duly complied with. We further certify that all disclosures made in the Draft Letter of Offer are true and correct.

Name	Signature
Mr. B. Vijayakumar <i>Chairman</i>	Sd/-
Mr. Vijayakumar Rajvirdhan <i>Executive Director</i>	Sd/
Mr. K.N.V. Ramani <i>Non-Executive Independent Director</i>	Sd/
Mr. P. Shanmugasundaram <i>Non-Executive Independent Director</i>	Sd/
Mr. P.V. Ramakrishnan <i>Non-Executive Independent Director</i>	Sd/
Mr. Rajiv Parthasarathy <i>Non-Executive Non- Independent Director</i>	Sd/
Mr. Harsha Lakshmikanth <i>Non-Executive Independent Director</i>	Sd/-

Place: Coimbatore

Date: December 5, 2011