

LGB FORGE LIMITED



**7th
ANNUAL REPORT
2012 - 2013**

Corporate Information

BOARD OF DIRECTORS

Sri. B. Vijayakumar
Chairman

Sri. V. Rajvirdhan
Executive Director

Sri. K.N.V. Ramani

Sri. P. Shanmugasundaram

Sri. P.V. Ramakrishnan

Sri. Rajiv Parthasarathy

Sri. Harsha Lakshmikanth

BANKERS

Andhra Bank

Axis Bank Limited

Corporation Bank

ICICI Bank Limited

IDBI Bank Limited

STATUTORY AUDITORS

M/s. Haribhakti & Co.

Chartered Accountants

“Shree Shanmugappriya”, 2nd Floor,
454, Ponnaiyan Street, Cross Cut Road,
Gandhipuram, Coimbatore - 641012.

Phone : 0422 - 2237793, 2238793

COST AUDITOR

Dr. G.L. Sankaran

82, EB Colony, Vadavalli, Coimbatore - 641 041

Phone No. 0422 - 2400767

REGISTRAR AND SHARE TRANSFER AGENTS

M/s.Cameo Corporate Services Limited

“Subramanian Building”

No 1, Club House Road, Chennai- 600 002

Phone No. 044 - 28460390

STOCK EXCHANGE WHERE COMPANY'S SECURITIES ARE LISTED

Bombay Stock Exchange Ltd.

National Stock Exchange of India Ltd.

REGISTERED OFFICE

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

Phone No. 0422 - 2532325

Website: www.lgbforge.co.in

CONTENTS

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

7th ANNUAL GENERAL MEETING

| | |
|--------------------|--|
| Date | : 8th August, 2013 |
| Day | : Thursday |
| Time | : 09.15 A.M. |
| Venue | : Ardra Convention Centre Kaanchan, 9, North Huzur Road Coimbatore- 641 018. |
| Book Closure Dates | : 01.08.2013 to 08.08.2013 (Both days inclusive) |

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

NOTICE

Notice is hereby given that the Seventh Annual General Meeting of the Members of the Company will be held on Thursday the 08th day of August, 2013 at 09.15 A.M. at Ardra Convention Centre, Kaanchan, 9, North Huzur Road, Coimbatore - 641 018, to transact the following businesses:

AGENDA
ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2013 and the Statement of Profit and Loss for the year ended on that date and the Report of the Directors and the Auditors thereon.
2. To appoint a Director in the place of Sri. B. Vijayakumar, who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint a Director in the place of Sri. Rajiv Parthasarathy, who retires by rotation, and being eligible, offers himself for reappointment.
4. To re-appoint Messrs. Haribhakti & Co, Chartered Accountants as Auditors, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration

SPECIAL BUSINESS

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

“RESOLVED that pursuant to the provisions of Section 198, 269, and 309 and other applicable provisions, if any, of the Companies Act, 1956 (“the Act”) read with Schedule XIII thereto and subject to such approvals, if any as may be necessary, consent of the Company be and is hereby accorded to the re-appointment of Sri. V. Rajvirdhan as the Executive Director of the Company for a further period of Three (3) years w. e. f. 01.02.2013, on the terms and conditions, as set out in the Explanatory Statement attached to this notice and hereby approved, with liberty to the Board of Directors to revise the terms as to remuneration, from time to time within the

limits provided for in the said Schedule XIII or any amendment thereof for the time being in force.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.
Item No.5.

The Board of Directors of the Company at its meeting held on 29th January, 2013 has re-appointed Sri. V. Rajvirdhan as Executive Director of the Company as recommended by the remuneration committee for a further period of 3 years w.e.f. 01.02.2013 at the remuneration, in accordance with norms laid down in Schedule XIII and other applicable provisions of the Companies Act, 1956.

| Particulars | ₹ per Month |
|------------------------------------|-----------------|
| Basic Salary | 1,25,000 |
| Provident fund 12% of Basic Salary | 15,000 |
| Total | 1,40,000 |

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

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

The Board recommends this resolution set out in Item No. 5 for approval of the members. None of the Directors except Sri. B. Vijayakumar, Sri. Rajiv Parthasarathy & Sri. V. Rajvirdhan is interested or concerned in this resolution.

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

I General Information

- 1 Nature of Industry :

The Company is a Forging Component manufacturing Industry

- 2 Date of expected date of commencement of production :

Company was established in the year 2006 and had already commenced commercial production.

4 Financial Performance (₹ in Lakhs)

| Particulars | 31.03.2013 | 31.03.2012 |
|---------------------------|------------|------------|
| Turnover | 10,800.97 | 12,712.89 |
| PBT | (436.05) | (529.77) |
| PAT | (436.05) | (529.77) |
| Rate of Dividend Declared | Nil | Nil |

5 Export Performance and Non Forex Collaborations.

For the year ended 31-03-2013

Forex Earned : INR 1450.42 Lakhs

Forex Outgo : INR 55.48 Lakhs

6 Foreign Investments of collaborators, if any :

Nil

II Information about the appointee.
1 Background details :

Sri. V. Rajvirdhan aged 29 years was re-appointed as Executive Director on 29th January 2013. He has a degree in Industrial Engineering from Indiana Institute of Technology. His previous job title includes; heading of overall operations in the materials laboratory in Indiana Institute of Technology, and being an employee in the maintenance department of Indiana Institute of Technology. He has undergone internship training in LGB operation for a period of 6 months

2 Past Remuneration :

Rs. 1,40,000/- p m as Executive Director in LGB Forge Limited

3 Recognition or Awards :

NIL

4 Job Profile and his suitability

Subject to the superintendence, direction and control of the Board of Directors, Sri.V.Rajvirdhan is responsible for the operations of the Company.

5 Remuneration Proposed

As mentioned in the notice, the remuneration payable has the approval of the Remuneration Committee and the Board of Directors.

6 Comparative remuneration profile to industry, size of the Company, profile of the position and person.

Commensurate with the size and the operations of the Company, the profile of the appointee, the

responsibilities shouldered on him and the industry bench marks, the remuneration proposed to be paid is reasonable to that of the similar other companies.

7 Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel if any:

Besides the remuneration proposed, Sri. V. Rajvirdhan, the proposed appointee is the son of Sri. B. Vijayakumar, Non Executive Chairman of the Company.

II Other Information.
1 Reasons for loss or inadequate profits:

The slowdown in the Automotive Industry has resulted substantial reduction in the off take of customers and the replacement market during the last two quarters of the financial year, which has resulted in steep reduction in the turnover and profits. Further, the Company has incurred losses primarily due to higher cost of raw material which could not be passed on to the Customers.

2 Steps taken or proposed to be taken for improvement :

The Company will strive to widen its customers base, increase market share, enter new segments and step up market initiatives and look for overall growth in top line. Moreover various cost reduction measures have been implemented, the benefit of which is likely to accrue to the Company in the coming year. The expected pick up in the economic activity should result in better performance during the year.

3 Expected increase in productivity and profits in measurable terms :

There are signs of revival in economic Activity which should lead to improvement prospects during the year.

III Disclosure
1 Remuneration package

As given in the Explanatory statement

2 Details to be furnished in Corporate Governance

Given under Remuneration to Directors in "Report on Corporate Governance.

NOTES:

1. **EVERY MEMBER ENTITLED TO ATTEND AND VOTE AT A MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. **THE INSTRUMENT APPOINTING THE PROXY MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
3. Pursuant to Clause 49 of the Listing Agreement additional information on Directors seeking appointment / re-appointment at the Annual General Meeting is provided in the Annual Report.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 01.08.2013 to 08.08.2013 (both days inclusive).
5. Members holding shares in physical form are requested to notify change of address and change in bank mandate if any, to M/s. Cameo Corporate Services Limited, "Subramanian Building" No.1, Club House Road, Chennai - 600 002, the Registrar and Share Transfer Agents and those who hold shares in dematerialized form are requested to notify their Depository Participants (DP) any change in address and/or bank mandate.
6. Members who are holding shares more than one folio under physical form may approach the Company's Share Transfer Agent for consolidation with respective details.
7. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat account(s). Members holding shares in physical form can submit their PAN details to the Registrar and Share Transfer Agent.
8. The Ministry of Corporate Affairs has taken a Green Initiative in Corporate Governance by issuing circulars allowing paperless compliances by Companies through electronic mode. The Shareholders can now receive various notices and documents through electronic mode by Registering their e-mail addresses with the Company. Shareholders who have not Registered their e-mail address with the Company can now Register the same by submitting duly filled - in-E-Communication Registration Form enclosed at the end of this report. The Members holding shares in electronic form are requested to Register their email addresses with their Depository Participants only. Even after Registering for E-Communication the shareholders of the Company are entitled to receive such communication in physical form, upon request.
9. Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.
10. Members seeking any information or clarifications on the Annual Report are requested to send the written queries to the Company at least Two weeks before the meeting to enable the Company to compile the information and provide replies at the meeting.

Coimbatore
30.04.2013

By Order of the Board

V. RAJVIRDHAN
Executive Director



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

| Name | Sri. B. Vijayakumar | Sri. Rajiv Parthasarathy | Sri. V. Rajvirdhan |
|---|---|---|---|
| Director Identification No. | 00015583 | 02495329 | 00156787 |
| Date of Birth | 22.01.1953 | 03.11.1977 | 05.09.1983 |
| Nationality | Indian | Indian | Indian |
| Date of Joining the Board | 07.06.2006 | 30.10.2009 | 28.09.2010 |
| Relationship with other Directors | Sri. V. Rajvirdhan - Son Sri. Rajiv Parthasarathy - Daughter's husband | - | Sri. B. Vijayakumar - Father Sri. Rajiv Parthasarathy - Sister's husband |
| Qualification | B.Sc., | B.S., (IE) | B.Sc., IME |
| Expertise in functional areas | More than 40 years experience as an Industrialist. | More than 13 years experience in Business | More than 7 years experience in Engineering Industry |
| Number of Shares held in the Company | 15000000 | 9438 | 10500000 |
| List of Directorships held in other Companies | L G Balakrishnan & Bros Ltd | South Western Engineering India Ltd | L G Balakrishnan & Bros Ltd |
| | BCW V Tech India Private Ltd | BCW V Tech India Private Ltd | South Western Engineering India Ltd |
| | Renold Chain India Private Ltd | Metal Forms Private Ltd | Rolon Fine Blank Ltd |
| | Super Spinning Mills Ltd | Oriental Hydraulics Private Ltd | LGB Rolon Chain Ltd |
| | Elgi Equipments Ltd | Jayaanu Spinning Mills Private Ltd | BCW V Tech India Private Ltd |
| | South Western Engineering India Ltd | Jayaarun Spinning Mills Private Ltd | Super Transports Private Ltd |
| | Rolon Fine Blank Ltd | NO Q Labs Private Ltd | Super Speeds Private Ltd |
| | LGB Rolon Chain Ltd | | Elgi Automotive Services Private Ltd |
| | LG Sports Ltd | | LG Farm Products Private Ltd |
| | LGB Fuel Systems Private Ltd | | L.G.B Auto Products Private Ltd |
| | Elgi Automotive Services Private Ltd | | LGB Fuel Systems Private Ltd |
| | LGB Auto Products Private Ltd | | LGB USA INC |
| | LG Farm Products Private Ltd | | |
| | Super Speeds Private Ltd | | |
| | Super Transports Private Ltd | | |
| | LGB USA INC | | |
| GFM Corp LLC | | | |
| Chairman/Member Committees of the Boards of other companies in which he is Director | Member of Shareholders & Investors Committee L G Balakrishnan & Bros Ltd Member of Audit Committee & Remuneration Committee Super Spinning Mills Ltd | NIL | NIL |

DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure in presenting the 7th Annual Report of your Company together with the audited accounts for the year ended 31st March, 2013.

FINANCIAL RESULTS:

The summary of the financial performance of the Company for the year ended 31st March, 2013 as compared to the previous year is as below:

| Particulars | 31.03.2013 (₹ in Lakhs) | 31.03.2012 (₹ in Lakhs) |
|--|----------------------------|----------------------------|
| Gross Income | 11,116.59 | 12,924.25 |
| Profit before Interest, Depreciation & Tax | 1,429.62 | 1,509.66 |
| Less: | | |
| Interest | 831.83 | 1,023.31 |
| Depreciation | 968.47 | 1,016.12 |
| Exceptional items | 65.37 | - |
| Profit/ (Loss) Before Tax | (436.05) | (529.77) |
| Profit / (Loss) After Tax | (436.05) | (529.77) |
| Add : Balance brought forward | (3,870.43) | (3,340.66) |
| Amount transferred to Balance Sheet | (4,306.48) | (3,870.43) |

DIVIDEND

In view of the losses, current and accumulated, your Directors regret their inability to recommend dividend for the year 2012-2013.

PERFORMANCE OF THE COMPANY

During the year under review, your Company's gross revenue is Rs. 11,116.59 Lakhs [previous year Rs. 12,924.25 Lakhs]. Gross Profit/(Loss) before, interest, depreciation and tax amounted to Rs. 1429.62 Lakhs [previous year (Rs. 1509.66 Lakhs)]. The net loss came to Rs. 436.05 Lakhs [previous year Rs. 529.77 Lakhs]. The major contributories to Net Loss in the financial year under review were due to severe disturbance to Production due to frequent Power Cut, very poor market condition, declining automotive market, high interest rates affecting market conditions.

RIGHTS ISSUE

Your Company has raised ₹ 500.01 Lakhs through the Rights issue, by issue of 5,00,00,517 Equity Shares of ₹ 1/- each at a premium of ₹ 1.75/- to the existing shareholders on rights basis. The aforesaid shares allotted under rights issue started traded on The Bombay Stock

Exchange and National Stock Exchange w.e.f 14th of May, 2012.

LISTING

The Securities of your Company are listed with the National Stock Exchange of India Limited and Bombay Stock Exchange Limited, and pursuant to Clause 38 of the Listing Agreement, the Annual Listing fees for the year 2013-2014 have been paid to them well before the due date i.e. April 30, 2013. The Company has also paid the annual custodian fees to NSDL & CDSL for the Securities of the Company held in dematerialized mode with them for the year 2013-2014.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Sri. B. Vijayakumar and Sri. Rajiv Parthasarathy are liable to retire by rotation and are eligible for re-appointment.

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

PUBLIC DEPOSITS

The Company has not accepted any Fixed Deposit during the year under review.

CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreements entered into with the Stock Exchanges, Corporate Governance Report with the Practicing Company Secretary's Certificate thereon and a Management Discussion and Analysis Report are attached and forms part of this report.

AUDITORS

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

COST AUDIT

Pursuant to Section 233B of the Companies Act, 1956, the Central Government has prescribed Cost Audit for the Company. Based on recommendations of the Audit Committee and subject to approval of the Central Government, Dr. G.L. Sankaran, Cost Accountant, Coimbatore have been appointed as Cost Auditors for the year. The relevant cost audit report for the financial year 2011-12 has been filed within the due date

PARTICULARS OF EMPLOYEES

None of the employees of the Company was in receipt of remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information as prescribed under Section 217 (1)(e) of the Companies Act, 1956, read with the Companies

(Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is given in a separate annexure, which forms a part of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors state:

- ❖ that in the preparation of the annual accounts, the applicable accounting standards have been followed.
- ❖ that appropriate accounting policies selected and applied are consistent and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2013 and of the loss of the Company for the year ended on that date.
- ❖ that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- ❖ that the annual accounts have been prepared on going concern basis.

ACKNOWLEDGEMENT

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

Coimbatore
30.04.2013

By Order of the Board

V. RAJVIRDHAN
Executive Director

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

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

FORM A
Current Year 2012-2013 **Previous year 2011-2012**

| A. POWER AND FUEL CONSUMPTION | Forging Mysore | Forging Coimbatore | Forging Coimbatore (CFD) | Forging Mysore | Forging Coimbatore | Forging Coimbatore (CFD) |
|--|----------------|--------------------|--------------------------|----------------|--------------------|--------------------------|
| Electricity | | | | | | |
| a) Purchased | | | | | | |
| Units in Lakhs | 62.41 | 8.20 | 11.30 | 57.61 | 14.15 | 15.53 |
| Total Amount in ₹ in Lakhs | 375.66 | 40.39 | 71.90 | 339.78 | 97.07 | 79.78 |
| Rate per unit in ₹ | 6.02 | 4.93 | 6.36 | 5.90 | 6.86 | 5.14 |
| b) Own Generation | | | | | | |
| i) Through Diesel Generator | | | | | | |
| Units in Lakhs | Nil | 0.70 | 0.45 | Nil | 1.81 | 6.51 |
| Units per Litre of Diesel oil | Nil | 3.00 | 3.33 | Nil | 2.52 | 3.36 |
| Cost per Unit ₹ | Nil | 14.70 | 15.38 | Nil | 17.58 | 13.39 |
| ii) Through Windmill Generation | | | | | | |
| Units in Lakhs | Nil | 5.63 | Nil | Nil | 12.60 | Nil |
| Total amount in ₹ | Nil | 28.15 | Nil | Nil | 50.40 | Nil |
| Cost per Unit ₹ | Nil | 5.00 | Nil | Nil | 4.00 | Nil |
| iii) Furnace Oil | | | | | | |
| Qty. (K.Ltrs) | 490.40 | Nil | 40.73 | 514.45 | Nil | 51.02 |
| Total amount in ₹ | 206.89 | Nil | 16.76 | 197.96 | Nil | 18.65 |
| Rate per K. Ltr ₹ | 42.19 | Nil | 41.15 | 38.48 | Nil | 36.55 |
| iv) Others:- Fuel Oil | | | | | | |
| Qty. (K.Ltrs) | 261.12 | 4.43 | Nil | 337.68 | Nil | Nil |
| Total amount in ₹ | 145.42 | 0.22 | Nil | 190.97 | Nil | Nil |
| Rate per K. Ltr ₹ | 55.69 | 49.66 | Nil | 56.55 | Nil | Nil |



FORM B

1. RESEARCH & DEVELOPMENT

| | |
|---|---|
| a) Specific areas in which R & D is carried out by the Company | Tools & Dies Process Engineering |
| b) Benefits derived as a result of the above R & D | Lower consumption of RM, Tool, power |
| c) Future plan of Action : | Finalizing & Implementing existing designs for all applicable part. |
| d) Expenditure on R & D i) Capital ii) Recurring iii) Total R & D Expenditure iv) Total R & D expenditure as a % to total Turnover. | - ₹ 12.84 ₹ 12.84 Lakshs 0.12% |

2. TECHNOLOGY, ABSORPTION, ADAPTATION AND INNOVATION

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

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

| | |
|---------------------------|--------------------|
| Foreign Exchange earnings | : ₹ 1,450.42 Lakhs |
| Foreign Exchange used | : ₹ 55.48 Lakhs |

By Order of the Board

Coimbatore
30.04.2013V. RAJVIRDHAN
Executive DirectorP. SHANMUGASUNDARAM
Director

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

Current year forging industry is likely to see a marginal fall in production this fiscal from last year's level following tepid off-take from its principal customer - the automotive sector. The non-automotive sector will continue its characteristic purchase pattern with both indigenous and export related markets.

OPPORTUNITIES:

During the year 2012-2013, LGB Forge Limited had systematically identified and executed cost control measures. These measures implemented during the last years have helped the Company grows on a much leaner cost structure with less reliance on power, aiding the ability for the Company to concentrate on diverse portfolios. Indian auto Industry will continue to show poor growth rates against previous year estimates but will show an upward trend during 2013-2014 and it is expected to continue for forthcoming years. With these positive indicators LGB Forge Limited growth opportunities are encouraging.

THREATS AND RISK & CONCERNS:

The resilience of developing markets poses a threat to the Indian Forging Industries. With cheaper cost structures whilst maintaining competitive edge over the Indian markets means that Indian industry will have to strive in the forth-coming years. The overall power situation in India, increasing labour costs and general consumables costs, Indian manufacturers will have a challenging task with global competition. The Coimbatore hot forge plant's core assets have been completely moved to the Mysore plant to boost the competitiveness whilst the Cold Forge plant in Coimbatore, despite exhibiting lower reliance on power as compared to the previous years, will be continued to the fluctuations of power in Tamil Nadu. Increasing labour costs will also be another factor.

SEGMENT:

Your Company operates in only one segment-Forging

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company's internal control system has been designed & implemented, taking into account the nature of business and size of operations, to provide for:

- ❖ Reliability and integrity of financial and operational information

- ❖ Effectiveness and efficiency of operations and assets
- ❖ Compliance with applicable statutes, policies, listing requirements, Management policies and procedures

The Company, through its own Internal Audit Department, carries out periodic audits at all locations and all functions and brings out any deviation to internal control procedures. The observations arising out of audit are periodically reviewed and compliance ensured. The summary of the Internal audit observations is submitted to the Audit Committee. The Audit Committee at their meetings regularly review the financial, operating, internal audit & compliance reports to improve performance. The heads of various monitoring / operating cells are present for the Audit Committee meetings to answer queries from the Audit Committee

HEALTH, SAFETY, SECURITY ENVIRONMENT

The Company accords high priority to health, safety and environment. The Company has two manufacturing plants in operation. The Company emphasizes on maintaining a healthy and safe environment in and around its factory. Safety awareness is inculcated through regular Safety awareness program.

HUMAN RESOURCES / INDUSTRIAL RELATIONS

Employer - employee relation remained cordial during the year. Training and development of employees continue to be an area of prime importance. The total number of people employed in the Company as on 31st March 2013 was 306.

RISK MANAGEMENT

To enhance the risk Management process, the Company has identified and prioritized the risks. Risk mitigation Activity plans are established and executed as and when need arises. Periodical reviews are carried out to assess the risk levels and its mitigation plans.

CAUTIONARY STATEMENT

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

Coimbatore
30.04.2013

By Order of the Board
V. RAJVIRDHAN
Executive Director

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

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

2. Board of Directors

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

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

| Name of the Directors | Category | Attendance Particulars | | @ No of Directorship held in Public Companies | * No. of Board Committee Memberships/Chairmanships held | | Relationship interse Directors |
|--|----------------------------|------------------------|----------|---|---|----------|--|
| | | Board Meeting | Last AGM | | Member | Chairman | |
| Sri. B. Vijayakumar Chairman | Non- Executive Promoter | 4 | Yes | 10 | 4 | - | Sri. V. Rajvirdhan -Son Sri. Rajiv Parthasarathy- Daughter's Husband |
| Sri. V. Rajvirdhan Executive Director | Executive Promoter | 4 | Yes | 6 | 1 | - | Sri. B. Vijayakumar - Father Sri. Rajiv Parthasarathy- Sister's Husband |
| Sri. K.N.V. Ramani | Non- Executive Independent | 3 | No | 8 | 3 | 6 | |
| Sri. P.Shanmugasundaram | Non- Executive Independent | 4 | Yes | 2 | - | 2 | |
| Sri. P.V. Ramakrishnan | Non- Executive Independent | 4 | Yes | 1 | 2 | - | |
| Sri. Harsha Lakshmikanth | Non- Executive Independent | 2 | No | 2 | 1 | - | |
| Sri. Rajiv Parthasarathy | Non- Executive Promoter | 2 | Yes | 3 | 1 | - | |

@ Exclude Directorship in Private Companies and Foreign Companies.

Details of the Board meetings held during the Financial Year 2012-2013

The Board met four times during the Financial Year 2012 - 2013 on 28th April, 2012, 01st August, 2012, 25th October, 2012 and 29th January, 2013.

3. Audit Committee

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

During the financial year ended 31st March 2013, four Audit Committee Meetings were held on 27th April, 2012, 31st July, 2012, 24th October, 2012 and 28th January, 2013. The necessary quorum was present at these meetings.

Composition

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

| Name of the Member | Category | Designation | No of Meetings attended |
|--------------------------|-----------------|-------------|-------------------------|
| Sri. P. Shanmugasundaram | Independent | Chairman | 4 |
| Sri. P.V. Ramakrishnan | Independent | Member | 3 |
| Sri. Rajiv Parthasarathy | Non-Independent | Member | 1 |
| Sri. Harsha Lakshmikanth | Independent | Member | 2 |

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

Sri. A. James Chandra Mohan Company Secretary, Acted upto 25.10.2012 as Secretary to the Committee. The Audit Committee would assure to the Board, compliance of adequate internal control system and financial disclosure and other issues confirming to the requirements specified by Company Law and Stock Exchanges in terms of Listing Agreement. The Minutes of the Audit Committee Meetings were circulated to the Board, where it was discussed and taken note of. The Audit Committee considered and reviewed the accounts for the year 2012 - 2013, before it was placed in the Board.

4. Remuneration Committee

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

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

During the year ended 31st March, 2013 only one meeting of this committee was held, ie on 25th January, 2013

Remuneration Policy

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

The Company currently does not have any stock option scheme.

Details of Remuneration paid to Directors during the financial year 2012-2013

a) Remuneration paid/payable to the Executive Director for the financial year ended March 31, 2013 is given as under :

| Name | Salary and perquisites in ₹ | Service Contract |
|---|-----------------------------|---|
| Sri. V. Rajvirdhan, Executive Director | 1,40,000 P.M. | Appointed for a period of 3 years as Executive Director with effect from 01.02.2013 |

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

b) Remuneration paid/payable to the Non-Executive Directors for the financial year ended March 31, 2013 is given as under :

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

| Name of the Director | Sitting Fees (₹) |
|--------------------------|------------------|
| Sri. B. Vijayakumar | 16,000 |
| Sri. K.N.V. Ramani | 12,000 |
| Sri. P. Shanmugasundaram | 20,000 |
| Sri. P.V. Ramakrishnan | 19,000 |
| Sri. Harsha Lakshmikanth | 10,000 |
| Sri. Rajiv Parthasarathy | 9,000 |
| Total | 86,000 |

c) Statement showing number of Equity Shares of ₹ 1/- each of the Company held by the present Non- Executive Directors as on March 31, 2013 :

| Name | No. of shares held as on 31.03.2013 | % of Holding |
|--------------------------|-------------------------------------|--------------|
| Sri. B. Vijayakumar | 15,000,000 | 10.00 |
| Sri. K.N.V. Ramani | - | - |
| Sri. P. Shanmugasundaram | - | - |
| Sri. P.V. Ramakrishnan | - | - |
| Sri. Harsha Lakshmikanth | - | - |
| Sri. Rajiv Parthasarathy | 9,438 | 0.01 |

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

5. Shareholders' / Investors' Grievance Committee:

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

| Name of the Member | Category | Status |
|------------------------|--------------------------|----------|
| Sri. P.V. Ramakrishnan | Independent | Chairman |
| Sri. B. Vijayakumar | Non Executive - Promoter | Member |
| Sri. V. Rajvirdhan | Executive - Promoter | Member |

The Committee deals in matters relating to transfer and transmission of Securities, issue of duplicate Securities certificates and looks into the Shareholders / Investor complaints, if any, on transfer of Securities, non-receipt of dividend, annual report etc. During the year under review, the Committee met 15 times to deliberate on various matters referred above and also responsible for redressal of investors complaints.

Sri.V.Rajvirdhan, Executive Director of the Company is the Compliance Officer of the Company and also responsible for redressal of investors complaints.

6. Management Discussion and Analysis Report

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

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

| Year | Date | Time | Location | Special Resolution Passed |
|------|------------|-----------|---|---|
| 2010 | 14.06.2010 | 8.30 A.M. | Ardra Convension Centre Kaanchana, 9, North Huzur Road Coimbatore- 641018 | Appointment of Sri. V. Rajvirdhan as the Executive Director for a period of 3 years. |
| 2011 | 15.06.2011 | 9.15 A.M. | Ardra Convension Centre Kaanchana, 9, North Huzur Road Coimbatore- 641018 | Nil |
| 2012 | 09.07.2012 | 9.15 A.M. | Ardra Convension Centre Kaanchana, 9, North Huzur Road Coimbatore- 641018 | Nil |

8. Disclosures
(i) Related Party Transactions

In terms of the Accounting Standard - 18 "Related Party Disclosures", as notified under the Companies (Accounting Standards) Rules, 2006, the Company has identified the related parties covered therein and details of transactions with such related parties have been disclosed in Note No.28 - Notes to the Accounts forming part of this Annual Report.

The Company has not had any transactions of material nature with the Directors and / or their relatives, promoters, Management during the year ended on March, 31, 2013 that may have conflict with the interests of the Company.

(ii) Compliances by the Company

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

(iii) Code of Conduct for Directors and Senior Management

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

(iv) CEO / CFO certification

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

(v) Accounting treatment

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

(vi) Risk Management

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

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

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

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

Company has a Remuneration Committee comprises of three Non-Executive Directors.

9. Whistle Blower Policy

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

10. Means of Communication

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

(i) Quarterly and Half-yearly financial results

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

(ii) Official News Releases:

Official news releases are made whenever it is considered necessary.

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

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

11. Shareholder Information :

a. Annual General Meeting is proposed to be held at 09.15 A.M. on Thursday the 8th August 2013 at Ardra Convention Centre, Kaanchan, 9, North Huzur Road, Coimbatore- 641 018.

b. Financial Calendar

Financial Year : April to March

For the year ended 31st March 2013, results were announced on 30.04.2013.

Financial Year - 2013-14 (Tentative)

Quarter ending June 2013 - End of July 2013

Quarter ending September 2013 - End of October 2013

Quarter ending December 2013 - End of January 2014

Year ended 31-03-2014 - End of April 2014

- c. Date of Book Closure - 01.08.2013 to 08.08.2013 (both days inclusive)
- d. Listing on Stock Exchanges - Bombay and National Stock Exchanges.
- e. Securities Code - Bombay Stock Exchange Ltd. Equity 533007
- The National Stock Exchange of India Ltd. - LGBFORGE
- f. ISIN Number - Equity : INE201J01017

The Company's Equity Shares are listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited for the year 2013 - 2014.

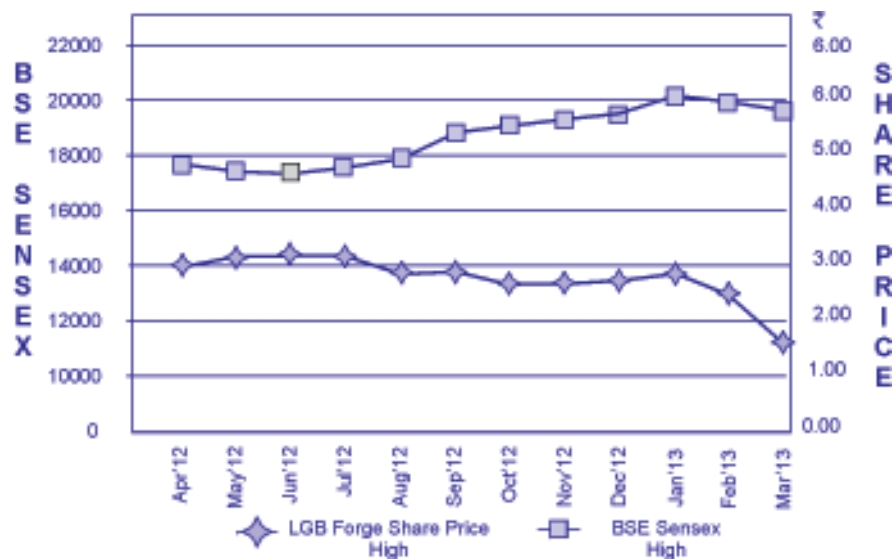
The Company has paid Annual Listing Fees to Bombay Stock Exchange Limited and The National Stock Exchange of India Limited .

- g. Stock market price data for the year 2012-2013

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

| | National Stock Exchange | | Bombay Stock Exchange | |
|----------------|-------------------------|-----------|-----------------------|-----------|
| | High (Rs.) | Low (Rs.) | High (Rs.) | Low (Rs.) |
| April - 2012 | 2.95 | 2.50 | 2.99 | 2.46 |
| May | 2.95 | 2.25 | 3.20 | 2.25 |
| June | 2.95 | 2.40 | 3.20 | 2.50 |
| July | 2.85 | 2.30 | 2.88 | 2.50 |
| August | 3.35 | 2.35 | 2.92 | 2.40 |
| September | 2.60 | 2.20 | 2.64 | 2.18 |
| October | 2.65 | 2.30 | 2.69 | 2.15 |
| November | 2.75 | 2.10 | 2.70 | 2.25 |
| December | 2.40 | 2.15 | 2.75 | 2.20 |
| January - 2013 | 2.80 | 1.95 | 2.89 | 1.91 |
| February | 2.65 | 1.40 | 2.50 | 1.31 |
| March | 1.65 | 1.30 | 1.63 | 1.23 |

Note: The Face Value is ₹1/-



h. Distribution of Shareholding as on 31st March, 2013.

| Range | | | No. of Holders | No. of Shares | % of Shares |
|--------------|---|-----------|----------------|--------------------|---------------|
| 1 | - | 100 | 3,896 | 264,242 | 0.18 |
| 101 | - | 500 | 5,529 | 1,810,603 | 1.21 |
| 501 | - | 1000 | 2,641 | 2,269,087 | 1.51 |
| 1001 | - | 2000 | 1,665 | 2,613,082 | 1.74 |
| 2001 | - | 3000 | 586 | 1,525,720 | 1.02 |
| 3001 | - | 4000 | 374 | 1,351,303 | 0.90 |
| 4001 | - | 5000 | 271 | 1,289,285 | 0.86 |
| 5001 | - | 10000 | 579 | 4,305,944 | 2.87 |
| 10001 | - | and above | 559 | 134,572,285 | 89.71 |
| Total | | | 16,100 | 150,001,551 | 100.00 |

i. Pattern of Shareholding :

| Sl. No. | Category | No. of Share holders | No. of Shares held | % to paid-up capital |
|--------------|---|----------------------|--------------------|----------------------|
| 1 | Promoters and promoters group | 17 | 96,753,603 | 64.50 |
| 2 | Financial Institutions, Banks | 2 | 16,020 | 0.01 |
| 3 | Insurance Companies | 1 | 135,960 | 0.09 |
| 4 | Foreign Institutional Investors / NRI / OCB | 74 | 5,397,174 | 3.60 |
| 5 | Bodies Corporate | 278 | 2,352,912 | 1.57 |
| 6 | Public | 15,728 | 45,345,882 | 30.23 |
| Total | | 16,100 | 150,001,551 | 100.00 |

j. Dematerialization of Shares as on 31st March, 2013.

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

| Particulars | No. of Shares | Percentage (in Share Capital) |
|---|--------------------|-------------------------------|
| National Securities Depository Limited | 133,911,733 | 89.27 |
| Central Depository Services (India) Limited | 5,647,168 | 3.77 |
| Physical | 10,442,650 | 6.96 |
| Total | 150,001,551 | 100.00 |

k. Registrar & Transfer Agents

(For share transfers and other communications relating to share certificates, dividend and change of address)
M/s.Cameo Corporate Services Limited, "Subramanian Building" No.1 Club House Road, Chennai - 600 002

l. Compliance Officer details

V. Rajvirdhan
Executive Director
6/16/13, Krishnarayapuram Road,
Ganapathy Post, Coimbatore- 641 006
Phone : 0422 - 3911212 Fax : 0422 - 3911163 E-Mail : secretarial@lgb.co.in

m. Share Transfer system

The shares transfers are Registered and returned within a period of 15 days of receipt if documents are in order. All requests for dematerialization of shares are processed and confirmed to the depositories, NSDL and CDSL within 4 working days. The share transfers are approved by the Share Transfer committee which meets as and when required.

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

-Nil-

o. Consolidation of folios and avoidance of multiple mailing

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

p. Code of Conduct

The Company has in place a Code of Conduct applicable to the Board Members as well as the Senior Management and that the same has been hosted on the Company's website. All the Board Members and the Senior Management Personnel have affirmed compliance with the Code of Conduct, as on 31st March, 2013.

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

q. Code for prevention of Insider Trading

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

r. Address for Correspondence :

All correspondences should be addressed to:

V. Rajvirdhan

Executive Director

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

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

12. Declaration on Code of Conduct.

To

The Members of LGB Forge Limited

In accordance with Clause 49 sub-Clause I (D) of The Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management personal including me, have affirmed compliance to their respective Codes of Conduct, as applicable for the Financial Year ended 31st March, 2013.

Coimbatore

30.04.2013

V. RAJVIRDHAN

Executive Director



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

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

- a) I have reviewed the financial statements and Cash Flow Statement for the year ended March, 31, 2013 and to the best of my knowledge and belief :
- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statement that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) To the best of my knowledge and belief, no transactions entered into by the Company during the year ended March, 31, 2013 are fraudulent, illegal or in violation of the Company's Code of Conduct.
- c) I accept responsibility for establishing and maintaining internal controls for financial reporting and I have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which I am aware, have been disclosed to the Auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
- d) I have indicated to the Auditors and Audit Committee that :
- (i) there have not been any significant changes in internal controls over financial reporting during the year ended March, 31, 2013;
 - (ii) there have not been any significant changes in accounting policies during the year ended March, 31, 2013 and that the same have been disclosed in the notes to the financial statements; and
 - (iii) there has not been any instance during the year ended March, 31, 2013 of significant fraud with involvement therein of the Management or any employee having a significant role in the Company's internal control system over financial reporting.

Coimbatore
30.04.2013

V. RAJVIRDHAN
Executive Director

CERTIFICATE ON CORPORATE GOVERNANCE

The Members of LGB Forge Limited

I have examined all the relevant records of LGB Forge Limited ("the Company") for the purpose of certifying compliance of the conditions of the Corporate Governance under Clause 49 of the Listing Agreement with the Stock Exchanges for the financial year ended 31.03.2013. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of certification.

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

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

Place : Coimbatore
Date : 30.04.2013

P. ESWARAMOORTHY
Practicing Company Secretary
FCS No.6510 C.P No. 7069

INDEPENDENT AUDITORS' REPORT

To
The Members of LGB Forge Limited, Coimbatore.

Report on the Financial Statements

We have audited the attached financial statements of LGB Forge Limited ('the Company'), which comprise the Balance Sheet as at March 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- b) in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements:

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of Sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books



- c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subSection (3C) of Section 211 of the Companies Act, 1956;
- e. on the basis of written representations received from the Directors as on March 31, 2013, and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2013, from being appointed as a Director in terms of Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.

Coimbatore
30.04.2013

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

ANNEXURE TO THE AUDITORS' REPORT

[Referred to in paragraph under Report on Other Legal and Regulatory Requirements in the Independent Auditors' Report of even date to the members of **LGB Forge Limited** on the financial statements for the year ended 31.03.2013]

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All the fixed assets have been physically verified by the Management in accordance with phased programme of verification, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
- (ii) (a) The inventory has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification carried out during the year.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions stated in paragraph 4 (iii)(b),(c) and (d) of the order are not applicable.
- (b) The Company had taken loan from six parties covered in the Register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 848.34 lakhs and the year-end balance of loans taken from such parties was ₹ 50 lakhs.
- (c) In our opinion, the terms and conditions in respect of loans taken by the Company are prima facie not prejudicial to the interest of the Company.
- (iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct weakness in internal control system of the Company.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered into the Register maintained under Section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of accounts maintained by the Company pursuant to the order

- made by the Central Government for the maintenance of cost records under Section 209(1)(d) of Companies Act 1956, and are of the opinion that prima facie, the prescribed records have been maintained. However, we have not made a detailed examination of the records with a view to determine whether they are accurate.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanation given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- (x) In our opinion, the accumulated losses of the Company are more than fifty percent of its net worth. Further, the Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans & advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of Clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- (xvi) In our opinion, the term loans have been applied for the purpose for which the loans were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to the information and explanation given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, no debentures have been issued by the Company during the year.
- (XX) We have verified the end use of money raised by the rights issue of equity shares as disclosed in Note no. 2 of Notes to the Financial Statements.
- (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For **Haribhakti & Co.**

Firm Registration No. 103523W

Chartered Accountants

C.S. SATHYANARAYANAN

Membership No. 028328

Partner

**BALANCE SHEET AS AT 31st MARCH, 2013**

| Particulars | Note No. | AS AT 31.03.2013 (₹ in lakhs) | AS AT 31.03.2012 (₹ in lakhs) |
|--|----------|-------------------------------------|-------------------------------------|
| I. EQUITY AND LIABILITIES | | | |
| 1 Shareholders' funds | | | |
| (a) Share capital | 2 | 1,500.02 | 1,000.01 |
| (b) Reserves and surplus | 3 | (532.62) | (971.58) |
| 2 Non-current liabilities | | | |
| (a) Long-term borrowings | 4 | 2,782.75 | 3,848.19 |
| 3 Current liabilities | | | |
| (a) Short-term borrowings | 5 | 1,397.10 | 2,817.22 |
| (b) Trade payables | | 1,373.00 | 1,473.66 |
| (c) Other current liabilities | 6 | 1,454.19 | 782.22 |
| Total | | <u>7,974.44</u> | <u>8,949.72</u> |
| II. ASSETS | | | |
| Non-current assets | | | |
| 1 (a) Fixed assets | | | |
| (i) Tangible assets | | 3,189.90 | 4,246.88 |
| (ii) Intangible assets | | 6.11 | 10.19 |
| (iii) Capital work-in-progress | | 36.57 | 11.72 |
| (b) Long-term loans and advances | 8 | 127.92 | 134.88 |
| 2 Current assets | | | |
| (a) Inventories | 9 | 1,842.42 | 1,777.78 |
| (b) Trade receivables | 10 | 2,588.77 | 2,539.46 |
| (c) Cash and cash equivalents | 11 | 4.68 | 22.57 |
| (d) Short-term loans and advances | 12 | 133.07 | 161.24 |
| (e) Other Current Assets | | 45.00 | 45.00 |
| Total | | <u>7,974.44</u> | <u>8,949.72</u> |
| Summary of Significant accounting policies | 1 | | |

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

“As per our Report of even date”

For **Haribhakti & Co.**

Firm Registration No. 103523W

Chartered Accountants

C.S. SATHYANARAYANAN

Membership No. 028328

Partner

Coimbatore
30.04.2013

V. RAJVIRDHAN
Executive Director

P. SHANMUGASUNDARAM
Director



| STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31.03.2013 | | | |
|---|----------|------------------|------------------|
| Particulars | Note No. | YEAR ENDED | YEAR ENDED |
| | | 31.03.2013 | 31.03.2012 |
| | | ₹ in lakhs | ₹ in lakhs |
| I. Income | | | |
| Revenue From Operations (Gross) | 13 | 11,944.97 | 13,858.96 |
| Less: Excise duty | | 1,144.00 | 1,146.07 |
| Revenue From Operations (Net) | | 10,800.97 | 12,712.89 |
| II. Other income | 14 | 315.62 | 211.36 |
| III. Total Revenue (I + II) | | 11,116.59 | 12,924.25 |
| IV. Expenses: | | | |
| a. Cost of materials consumed | 15 | 5,315.81 | 6,422.91 |
| b. Changes in inventories of finished goods and work-in-progress | 16 | (60.73) | 28.83 |
| c. Employee benefits expense | 17 | 999.88 | 1,086.47 |
| d. Finance costs | 18 | 831.83 | 1,023.31 |
| e. Depreciation and amortization expense | 7 | 968.47 | 1,016.12 |
| f. Other expenses | 19 | 3,432.01 | 3,876.38 |
| Total Expenses | | 11,487.27 | 13,454.02 |
| V. Loss before exceptional and extraordinary items and tax (III-IV) | | (370.68) | (529.77) |
| VI. Exceptional items | | 65.37 | - |
| VII. Loss before extraordinary items and tax (V - VI) | | (436.05) | (529.77) |
| VIII. Extraordinary Items | | - | - |
| IX. Loss before tax (VII- VIII) | | (436.05) | (529.77) |
| X Tax expense: | | | |
| (1) Current tax | | - | - |
| (2) Deferred tax | | - | - |
| XI Loss for the period from continuing operations (IX - X) | | (436.05) | (529.77) |
| XII Loss from discontinuing operations | | - | - |
| XIII Tax expense of discontinuing operations | | - | - |
| XIV Loss from Discontinuing operations (after tax) | | - | - |
| XV Loss for the period (XI + XIV) | | (436.05) | (529.77) |
| XVI Earnings per equity share of ₹ 1/- each | 20 | | |
| (1) Basic | | (0.30) | (0.53) |
| (2) Diluted | | (0.30) | (0.53) |

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

“As per our Report of even date”

For **Haribhakti & Co.**

Firm Registration No. 103523W

Chartered Accountants

C.S. SATHYANARAYANAN

Membership No. 028328

Partner

Coimbatore
30.04.2013

V. RAJVIRDHAN
Executive Director

P. SHANMUGASUNDARAM
Director

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013**Note 1.****SUMMARY OF SIGNIFICANT ACCOUNTING POLICES****i. Accounting Convention**

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

ii. Fixed Assets & Depreciation

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

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

c) Depreciation on Plant and Machinery, Motor Cars, Trucks and Vans has been provided on straight-line method at the rates specified in the Schedule XIV of the Companies Act, 1956. Tools and dies are depreciated at 20% p.a. based on the estimated useful life as determined by the Company. Depreciation in respect of other assets has been calculated on written down value method as per the rates specified in Schedule XIV of the Companies Act, 1956.

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

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

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

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

carrying amount of an asset exceeds its recoverable amount.

iii. Valuation of Inventories

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

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

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

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

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

iv. Revenue Recognition

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

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

c) Claims made by the Company and those made on the Company are recognized in the Statement of Profit and Loss as and when the claims are accepted.

v. Foreign Currency TransActions

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

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

vi. Research and Development

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

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

vii. Employee Benefits

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

viii. Borrowing Costs

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

ix. Taxes on Income

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

x. Cash Flow Statement

Cash Flow Statement has been prepared in accordance with the indirect method prescribed in

Accounting Standard 3 issued by the Institute of Chartered Accountants of India.

xi. Leases

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

xii. CENVAT/Service Tax

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

xiii. Provisions, Contingent Liabilities and Contingent Assets

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

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

xiv. Accounting Standards

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

Notes to Financial Statements for the year ended 31st March 2013
EQUITY AND LIABILITIES
SHAREHOLDERS' FUNDS
2. SHARE CAPITAL

| | AS AT 31.03.2013 | | AS AT 31.03.2012 | |
|---|------------------|------------|------------------|------------|
| | In numbers | ₹ in lakhs | In numbers | ₹ in lakhs |
| Authorised | | | | |
| 3,00,000 Redeemable Preference Shares of ₹ 100/- each (31st March 2012 : 3,00,000 Redeemable Preference Shares of ₹ 100/- each) | 3,00,000 | 300.00 | 3,00,000 | 300.00 |
| 17,00,00,000 Equity Shares of ₹ 1/- each (31st March 2012 : 17,00,00,000 Equity shares of ₹ 1/- each) | 170,000,000 | 1,700.00 | 170,000,000 | 1,700.00 |
| | | 2,000.00 | | 2,000.00 |
| Issued | | | | |
| 15,00,01,551 Equity Shares of ₹ 1/- each (31st March 2012 : 150,001,551 Equity shares of ₹ 1/- each) | 150,001,551 | 1,500.02 | 150,001,551 | 1,500.02 |
| Subscribed & Fully paid up | | | | |
| 150,001,551 Equity Shares of ₹ 1/- each (31st March 2012 : 10,00,01,034 Equity shares of ₹ 1/- each) | 150,001,551 | 1,500.02 | 100,001,034 | 1,000.01 |

a. Terms/Rights attached to Equity shares

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

b. Reconciliation of the number of Shares outstanding and the amount of Share Capital as at March 31, 2013 and March 31, 2012.

| Equity shares (Issued Capital) | As at 31.03.2013 | | As at 31.03.2012 | |
|---|------------------|------------|------------------|------------|
| | In numbers | ₹ in lakhs | In numbers | ₹ in lakhs |
| Shares outstanding at the beginning of the year | 150,001,551 | 1,500.02 | 100,001,034 | 1,000.01 |
| Shares Issued during the year | - | - | 50,000,517 | 500.01 |
| Shares outstanding at the end of the year | 150,001,551 | 1,500.02 | 150,001,551 | 1,500.02 |

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

| Proceeds from the rights issue were utilised as below: | ₹ in lakhs | ₹ in lakhs |
|---|------------|------------|
| Amount raised through rights issue | | 1,375.00 |
| Utilisation: | | |
| Part repayment of working capital loan | 630.00 | |
| Repayment of unsecured loans (from promoter/promoter group) | 715.00 | |
| To meet rights issue expenses | 30.00 | 1,375.00 |

Notes to Financial Statements for the year ended 31st March 2013

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

| Equity shares | 31.03.2013 | 31.03.2012 | 31.03.2011 | 31.03.2010 | 31.03.2009 |
|--|------------|------------|------------|------------|------------|
| Fully paid up pursuant to contrAct(s) without payment being received in cash * | - | - | - | - | 78,481,034 |

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

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

| S. No. | Name of Shareholder | Equity Shares | | | |
|--------|--------------------------------------|---------------------|--------------|---------------------|--------------|
| | | As at 31 March 2013 | | As at 31 March 2012 | |
| | | No. of Shares held | % of Holding | No. of Shares held | % of Holding |
| 1 | M/s. L.G.Balakrishnan & Bros Limited | 29,000,000 | 19.33 | 10,550,000 | 10.55 |
| 2 | Smt. V Rajsri | 15,000,000 | 10.00 | 11,722,340 | 11.72 |
| 3 | Sri. B Vijayakumar | 15,000,000 | 10.00 | 11,632,200 | 11.63 |
| 4 | Sri.Vijayakumar Rajvirdhan | 10,500,000 | 7.00 | 8,475,300 | 8.48 |
| 5 | Elgi Automotive Services P Ltd | 8,437,950 | 5.63 | - | - |
| 6 | International Finance Corporation | 5,059,892 | 3.37 | 5,532,714 | 5.53 |

3 RESERVES & SURPLUS

₹ in lakhs

| Description | As at 31.03.2012 | Additions during year | Deductions/ Adjustments during the year | Balance as at 31.03.2013 |
|--|------------------|-----------------------|---|--------------------------|
| a. Capital Reserves | 2,898.85 | - | - | 2,898.85 |
| b. Securities Premium | - | 875.01 | - | 875.01 |
| b. Surplus/ (deficit) in Profit and Loss Account | (3,870.43) | (436.05) | - | (4,306.48) |
| | (971.58) | 438.96 | - | (532.62) |

NON-CURRENT LIABILITIES
4 LONG TERM BORROWINGS

₹ in lakhs

| | Non-Current Portion | | Current maturities | |
|---|---------------------|------------------|--------------------|------------------|
| | As at 31.03.2013 | As at 31.03.2012 | As at 31.03.2013 | As at 31.03.2012 |
| Secured | | | | |
| (a) Term loans | | | | |
| From banks | | | | |
| - ICICI Bank Limited | 2,750.00 | 3,750.00 | 1,000.00 | 250.00 |
| Unsecured | | | | |
| (a) Deferred payment liabilities | | | | |
| Sales tax deferral scheme loan | 16.07 | 48.19 | 32.12 | 32.12 |
| (b) Fixed Deposits - From related party | - | - | - | 50.00 |

Notes to Financial Statements for the year ended 31st March 2013
4 LONG TERM BORROWINGS (Contd.)

₹ in lakhs

| | Non-Current Portion | | Current maturities | |
|--|---------------------|---------------------|---------------------|---------------------|
| | As at 31.03.2013 | As at 31.03.2012 | As at 31.03.2013 | As at 31.03.2012 |
| (c) Loans and Advances from related parties | | | | |
| Inter Corporate Deposits | | | | |
| M/s Tribe Investments and Services Pvt. Ltd | 16.68 | 50.00 | 33.32 | 33.33 |
| | 2,782.75 | 3,848.19 | 1065.44 | 365.45 |
| Amount disclosed under the head "Other Current Liabilities - Current maturities of Long term debt" (Note no 6) | - | - | (1065.44) | (365.45) |
| Net Amount | 2,782.75 | 3,848.19 | - | - |

- i. Rupee Term loan from ICICI Bank carries interest @ base rate plus 3.25% payable on monthly basis. The loan is repayable in 15 quarterly installments of ₹ 250 lakhs each. The loan is secured by way (a) hypothecation (first charge) of whole movable properties including its movable plant and machinery, machinery spares, tools and accessories and other movable (except current assets), both present and future located at Belagola Industrial Area, Hebbal village, Mysore (Hot forging unit), Pillaiappanpalayam, Coimbatore (Hot and Warm forging unit) and Kondayampalayam, Coimbatore (Cold forging unit); and (b) first charge by way of deposit of title deeds in respect of immovable properties situate at (i) Kariyampalayam Village, Pillaiappanpalayam, Coimbatore; and (ii) Hebbal Village, Kasaba Hobli, Mysore. Loan is further secured by corporate guarantee of M/s.L.G.Balakrishnan & Bros Limited.
- ii. Sales tax deferral scheme loan in respect of Karnataka Sales Tax amounting to ₹ 104.38 lakhs and Karnataka VAT amounting to ₹ 56.23 lakhs, is repayable in 3 half yearly installments of ₹ 10.44 lakhs & ₹ 5.62 lakhs respectively ending with June 2014.
- iii. Intercompany deposit of ₹ 50 lakhs received from M/s. Tribe Investments and Services Private Limited carries interest @ 14% p.a. and is repayable in 6 quarterly installments of ₹ 8.33 lakhs. Interest is payable on monthly basis.

CURRENT LIABILITIES
5 SHORT TERM BORROWINGS

₹ in lakhs

| | As at 31.03.2013 | As at 31.03.2012 |
|---|---------------------|---------------------|
| Secured | | |
| (a) Loans repayable on demand from banks | | |
| Yes Bank Limited | - | 250.00 |
| (b) Cash Credit Loan from banks - | | |
| - Axis Bank Ltd | 273.64 | 332.86 |
| - Corporation Bank | 75.71 | 145.96 |
| - ICICI Bank Ltd | 311.81 | 221.29 |
| - IDBI Bank Ltd | 601.74 | 490.04 |
| - Andhra Bank | 134.20 | 662.07 |
| | 1,397.10 | 2,102.22 |

Notes to Financial Statements for the year ended 31st March 2013
5 SHORT TERM BORROWINGS (Contd.)

₹ in lakhs

| | As at 31.03.2013 | As at 31.03.2012 |
|---|---------------------|---------------------|
| Unsecured | | |
| (a) Loans and advances from related parties | | |
| - Inter Corporate Deposits | | |
| M/s. Silent Chains India Pvt. Limited | - | 340.00 |
| - From Directors | - | 375.00 |
| | - | 715.00 |
| Total | 1,397.10 | 2,817.22 |

- i. Short term loan from Yes Bank carries interest @ 11.50% p.a . The loan can be rolled over every 6 months. The loan is secured by subservient charge on the fixed asset of the Company. Loan is further secured by corporate guarantee of M/s.L.G.Balakrishnan & Bros Limited.
- ii. Working Capital loans from ICICI Bank, Axis Bank, Corporation Bank, Andhra Bank, IDBI Bank carries an interest @ 13.00% to 15.50% are primarily secured by hypothecation of inventories and book debts of the Company and also secured by hypothecation of existing block of assets of the company excluding those specific machineries charged to banks/financial institutions.

NON-CURRENT LIABILITIES
6 OTHER CURRENT LIABILITIES

₹ in lakhs

| | As at 31.03.2013 | As at 31.03.2012 |
|--|---------------------|---------------------|
| (a) Current maturities of long-term debt (refer note no.4 "Long term borrowings") | 1,065.44 | 365.45 |
| (b) Accrued salaries and Benefit | 88.11 | 110.10 |
| (c) Amount payable to Related parties (Companies) | 98.41 | 150.07 |
| (e) Interest accrued and due on borrowings | - | 2.78 |
| (f) Advance received from Customers | 106.33 | 49.33 |
| (g) Statutory dues | 15.70 | 35.62 |
| (h) Provision for expenses | 80.20 | 68.87 |
| Total | 1,454.19 | 782.22 |

Notes to Financial Statements for the year ended 31st March 2013
**NON CURRENT ASSETS
7 - FIXED ASSETS**

(₹ in Lakhs)

| Description of Assets | GROSS BLOCK | | | | ACCUMULATED DEPRECIATION | | | | NET BLOCK | |
|--|--------------------------|---------------|-----------------|--------------------------|--------------------------|----------------------------------|---------------|-----------------|--------------------------|--------------------------|
| | Balance as at 01.04.2012 | Additions | Deletions | Balance as at 31.03.2013 | Upto 31.03.2012 | Depreciation charge For the year | Deductions | Upto 31.03.2013 | Balance as at 31.03.2013 | Balance as at 31.03.2012 |
| Tangible Assets (Not Under Lease) | | | | | | | | | | |
| Land | 115.79 | - | - | 115.79 | - | - | - | - | 115.79 | 115.79 |
| Buildings | 879.74 | - | - | 879.74 | 315.81 | 56.34 | - | 372.15 | 507.59 | 563.93 |
| Plant and Machinery | 8,325.47 | 17.92 | 995.84 | 7,347.55 | 5,071.11 | 812.38 | 882.58 | 5,000.91 | 2,346.64 | 3,254.36 |
| Furniture and Fixtures | 43.34 | 0.15 | 0.88 | 42.61 | 31.29 | 2.31 | 0.54 | 33.06 | 9.55 | 12.05 |
| Vehicles | 18.15 | - | - | 18.15 | 12.50 | 1.72 | - | 14.22 | 3.93 | 5.65 |
| Office Equipment | 7.54 | 1.15 | - | 8.69 | 3.63 | 0.33 | - | 3.96 | 4.73 | 3.91 |
| Data Processing Machine | 64.45 | - | - | 64.45 | 57.95 | 2.61 | - | 60.56 | 3.89 | 6.50 |
| Electrical installation | 363.59 | 0.03 | - | 363.62 | 201.06 | 36.71 | - | 237.77 | 125.85 | 162.53 |
| Pipeline fitting | 36.88 | - | - | 36.88 | 24.36 | 3.79 | - | 28.15 | 8.73 | 12.52 |
| Lab equipment | 45.93 | - | - | 45.93 | 22.02 | 4.45 | - | 26.47 | 19.46 | 23.91 |
| Fire equipment | 3.04 | - | - | 3.04 | 2.01 | 0.08 | - | 2.09 | 0.95 | 1.03 |
| Canteen Equipments | 2.18 | - | - | 2.18 | 1.09 | 0.10 | - | 1.19 | 0.99 | 1.09 |
| Tools & Die sets | 386.43 | 81.92 | 81.92 | 386.43 | 302.82 | 43.57 | 1.76 | 344.63 | 41.80 | 83.61 |
| Total | 10,292.53 | 101.17 | 1,078.64 | 9,315.06 | 6,045.65 | 964.39 | 884.88 | 6,125.16 | 3,189.90 | 4,246.88 |
| Intangible Assets | | | | | | | | | | |
| Computer Software | 36.31 | - | - | 36.31 | 26.12 | 4.08 | - | 30.20 | 6.11 | 10.19 |
| Total | 36.31 | - | - | 36.31 | 26.12 | 4.08 | - | 30.20 | 6.11 | 10.19 |
| Capital Work In Progress | | | | | | | | | | |
| Sub Total | 11.72 | 36.57 | 11.72 | 36.57 | - | - | - | - | 36.57 | 11.72 |
| Total Assets | 10,340.56 | 137.74 | 1,090.36 | 9,387.94 | 6,071.77 | 968.47 | 884.88 | 6,155.36 | 3,232.58 | 4,268.79 |
| Previous Year | 10,301.19 | 227.19 | 187.82 | 10,340.56 | 5,240.98 | 1,016.12 | 185.33 | 6,071.77 | 4,268.79 | 5,060.21 |

Notes to Financial Statements for the year ended 31st March 2013
NON CURRENT ASSETS
8 LONG TERM LOANS AND ADVANCES

₹ in lakhs

| | As at 31.03.2013 | As at 31.03.2012 |
|--------------------------------------|---------------------|---------------------|
| a. Capital Advances | | |
| Unsecured, considered good | 7.30 | 9.79 |
| | <u>7.30</u> | <u>9.79</u> |
| b. Security Deposits | | |
| Unsecured, considered good | 103.04 | 94.51 |
| | <u>103.04</u> | <u>94.51</u> |
| c. Other loans & advances | | |
| Prepaid Expenses | - | 0.30 |
| Tax payments pending Adjustment | 17.58 | 30.28 |
| | <u>17.58</u> | <u>30.58</u> |
| Total | <u>127.92</u> | <u>134.88</u> |

CURRENT ASSETS
9 INVENTORIES (Valued at lower of cost and net realisable value)

| | | |
|--|-----------------|-----------------|
| a. Raw Materials and components | 931.06 | 805.18 |
| Goods-in transit | - | - |
| | <u>931.06</u> | <u>805.18</u> |
| b. Work-in-progress | 403.63 | 442.01 |
| | <u>403.63</u> | <u>442.01</u> |
| c. Finished goods | | |
| Internally ManufActured | 167.40 | 68.29 |
| Other than internally manufActured | - | - |
| Goods-in transit | - | - |
| | <u>167.40</u> | <u>68.29</u> |
| d. Stock-in-trade | | |
| Internally ManufActured | - | - |
| Goods-in transit | - | - |
| | <u>-</u> | <u>-</u> |
| e. Stores and spares | 133.78 | 140.84 |
| Goods-in transit | - | - |
| | <u>133.78</u> | <u>140.84</u> |
| f. Loose Tools | 206.55 | 321.46 |
| Goods-in transit | - | - |
| | <u>206.55</u> | <u>321.46</u> |
| Total | <u>1,842.42</u> | <u>1,777.78</u> |

Notes to Financial Statements for the year ended 31st March 2013
10 TRADE RECEIVABLES

₹ in lakhs

| | As at 31.03.2013 | As at 31.03.2012 |
|--|---------------------|---------------------|
| Trade receivables outstanding for a period less than six months from the date they are due for payment | | |
| Unsecured, considered good | 2,508.95 | 2,529.69 |
| | <u>2,508.95</u> | <u>2,529.69</u> |
| Trade receivables outstanding for a period exceeding six months from the date they are due for payment | | |
| Unsecured, considered good | 79.82 | 9.77 |
| Unsecured, considered doubtful | - | - |
| Less: Provision for doubtful debts | - | - |
| | <u>79.82</u> | <u>9.77</u> |
| Total | 2,588.77 | 2,539.46 |

11 CASH AND CASH EQUIVALENTS

| | | |
|------------------------|-------------|--------------|
| a. Balances with banks | 3.87 | 20.37 |
| b. Cash on hand | 0.81 | 2.20 |
| | <u>4.68</u> | <u>22.57</u> |

12 SHORT-TERM LOANS AND ADVANCES

| | | |
|---|---------------|---------------|
| Unsecured, considered good | | |
| Security Deposit with SEBI | - | 13.75 |
| Prepaid expenses | 5.44 | 5.25 |
| Loans to employees - staff advances | 10.58 | 6.35 |
| Balance with statutory / government authorities | 99.81 | 130.86 |
| Advance to Creditors | 12.32 | 5.03 |
| Amount due from related parties | 4.92 | - |
| | <u>133.07</u> | <u>161.24</u> |

Notes to Financial Statements for the year ended 31st March 2013
13 REVENUE FROM OPERATIONS:

₹ in lakhs

| | YEAR ENDED 31.03.2013 | YEAR ENDED 31.03.2012 |
|---|--------------------------|--------------------------|
| Revenue from operations (Gross) | | |
| Sale of Products | 11,178.42 | 12,953.91 |
| Sale of services | 24.85 | 22.22 |
| Other operating revenue | | |
| Scrap Sales | 709.79 | 832.44 |
| Other | 31.91 | 50.39 |
| Revenue from operations (Gross) | 11,944.97 | 13,858.96 |
| Less: | | |
| Excise duty | 1,144.00 | 1,146.07 |
| Revenue from operations (Net) | 10,800.97 | 12,712.89 |
| Details of products sold | | |
| Manufactured Goods | | |
| Cold forged components | 3,285.89 | 4,118.44 |
| Hot & Warm forged components | 4,548.52 | 5,405.44 |
| Hammer components | 3,344.01 | 3,430.03 |
| Total | 11,178.42 | 12,953.91 |
| Details of Services rendered | | |
| Cold forged components - Job receipts | 3.61 | 6.06 |
| Hot & Warm forged components - Job receipts | - | 0.08 |
| Hammer components - Job receipts | 21.24 | 16.08 |
| Total | 24.85 | 22.22 |
| 14 OTHER INCOME | | |
| Interest Income | 12.12 | 7.14 |
| Rent receipts | 62.62 | 7.34 |
| Gain on sale of assets (Net) | 119.69 | 5.77 |
| Export Incentives | 55.59 | 114.65 |
| Foreign Exchange Gain (Net) | 52.60 | 76.46 |
| Service Charges Receipt | 13.00 | - |
| Total | 315.62 | 211.36 |

The Company has given on lease, furnished premises situated at Pillaiappampalayam, Coimbatore M/s.L.G. Balakrishnan & Bros Ltd. for a period of sixty months. Lease rental income received during the year for the lease of said property amounts to ₹ 62.62 lakhs (Previous year - ₹ 7.34 Lakhs)

15 COST OF RAW MATERIALS AND COMPONENTS CONSUMED

(₹ in lakhs)

| | | |
|---|-----------------|-----------------|
| Inventory at the beginning of the year | 1,247.20 | 1,301.39 |
| Add: Purchases | 5,403.30 | 6,368.72 |
| | 6,650.50 | 7,670.11 |
| Less: Inventory at the end of the year | 1,334.69 | 1,247.20 |
| Cost of raw material consumed | 5,315.81 | 6,422.91 |
| Details of Raw materials and components consumed | | |
| Rods & Bars | 5,315.81 | 6,422.91 |
| Total | 5,315.81 | 6,422.91 |

Notes to Financial Statements for the year ended 31st March 2013
16 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS

₹ in lakhs

| | YEAR ENDED 31.03.2013 | YEAR ENDED 31.03.2012 | Increase / Decrease |
|---|--------------------------|--------------------------|------------------------|
| Details of changes in Inventory | | | |
| Inventory at the end of the year | | | |
| Work in Progress | 403.63 | 442.01 | (38.38) |
| Finished Goods | 167.40 | 68.29 | 99.11 |
| Total | 571.03 | 510.30 | 60.73 |
| Inventory at the beginning of the year | | | |
| Work in Progress | 442.01 | 474.90 | (32.89) |
| Finished Goods | 68.29 | 64.23 | 4.06 |
| Total | 510.30 | 539.13 | (28.83) |
| (Increase)/decrease in Inventories | (60.73) | 28.83 | |

17 EMPLOYEE BENEFITS EXPENSES

₹ in lakhs

| | YEAR ENDED 31.03.2013 | YEAR ENDED 31.03.2012 |
|---|--------------------------|--------------------------|
| (a) Salaries, wages and bonus | 870.92 | 941.72 |
| (b) Contributions to - Provident and other fund | 56.37 | 57.01 |
| (c) Gratuity fund contributions | 0.74 | 11.46 |
| (d) Managerial Remuneration | 16.80 | 16.80 |
| (e) Staff welfare expenses | 55.05 | 59.48 |
| Total | 999.88 | 1,086.47 |
| Details of Managerial Remuneration | | |
| Sri.V. Rajvirdhan- Executive Director | | |
| Salaries and Allowances | 15.00 | 15.00 |
| Contribution to Provident Fund | 1.80 | 1.80 |
| Total | 16.80 | 16.80 |

18 FINANCE COST

₹ in lakhs

| | | |
|-----------------------|---------------|-----------------|
| Interest expense | 754.16 | 966.29 |
| Bank Charges | 56.08 | 38.64 |
| Other borrowing costs | 21.59 | 18.38 |
| Total | 831.83 | 1,023.31 |

Notes to Financial Statements for the year ended 31st March 2013

| 19 OTHER EXPENSES | | ₹ in lakhs | |
|---|--------------------------|--------------------------|--|
| | YEAR ENDED 31.03.2013 | YEAR ENDED 31.03.2012 | |
| Consumption of Stores & Spares | 419.24 | 497.23 | |
| Consumption of loose tools | 192.64 | 279.83 | |
| Processing Charges | 849.69 | 899.87 | |
| Power & Utilities | 957.51 | 1,075.01 | |
| Printing & Stationery | 12.30 | 8.62 | |
| Postage, Telegram and Telephone | 9.14 | 12.25 | |
| Rent on building | 39.29 | 39.54 | |
| Rental charges on machinery | 27.78 | 40.28 | |
| Rates, taxes and Licence | 25.31 | 3.06 | |
| Insurance | 17.86 | 16.25 | |
| Travelling & Conveyance | 71.85 | 68.60 | |
| Advertisement, Publicity & Sales Promotion | 0.88 | 1.52 | |
| Directors' Sitting Fees | 0.86 | 1.40 | |
| Professional Charges, training fees | 55.68 | 56.04 | |
| Miscellaneous Expenses | 20.71 | 38.38 | |
| Selling & Distribution expenses | 470.26 | 424.93 | |
| Packing Material | 70.68 | 87.08 | |
| Repairs and maintenance | | | |
| Machinery | 80.70 | 167.58 | |
| Building | 36.92 | 43.45 | |
| Others | 35.99 | 31.68 | |
| Watch & ward expenses | 32.96 | 38.37 | |
| Auditor's Remuneration | 3.76 | 5.36 | |
| Bad debts written off | - | 40.05 | |
| Total | 3,432.01 | 3,876.38 | |
| Payments to the Auditor as | | | |
| a. For Statutory Audit | 3.00 | 3.00 | |
| b. For Taxation Matters | 0.50 | 0.55 | |
| c. Rights Issue Certification | - | 1.65 | |
| d. Reimbursement of Expenses | 0.26 | 0.16 | |
| e. For Other Services | - | - | |
| Total | 3.76 | 5.36 | |
| 20 EARNINGS PER SHARE | | | |
| Profit/(Loss) after taxation as per | | | |
| Profit & Loss Account | (436.05) | (529.77) | |
| Number of equity shares outstanding | 1,500.02 | 1,000.01 | |
| Basic & Diluted Earnings per share in rupee | | | |
| (Face value of ₹ 1 per share) | (0.30) | (0.53) | |

Notes to Financial Statements for the year ended 31st March 2013

- 21 The Company has not recognised the net deferred tax assets, in respect of accumulated losses and unabsorbed depreciation in view of absence of virtual certainty of availing the benefit in the future.
- 22 The balance in parties accounts are subject to confirmation and reconciliation, if any. In the opinion of the Management all current assets including stock-in-trade/sundry debtors and loans and advances in the normal course of business would realize the value at least to the extent stated in the Balance Sheet.
- 23 **Micro, Small and Medium Enterprises**
There are no overdue amounts paid/payable to Micro, Small and Medium Enterprises. The above information regarding Micro, Small and Medium enterprises have been determined to the extent such parties have been identified on the basis of information available with the Company and relied upon by the auditors.
- 24 Figures have been rounded off to the nearest Lakhs and two decimals thereof.
- 25 The amounts and disclosures included in the financial statements of the previous year have been reclassified/ regrouped wherever necessary to confirm to current years' classification.
- 26 The Company has only one reportable business segment namely manufacture of forged and machined components.

27 CONTINGENT LIABILITIES (to the extent not provided for)

₹ in lakhs

| | | As at 31.03.2013 | As at 31.03.2012 |
|---|--|----------------------------------|---------------------|
| a | Guarantee given by Bankers and outstanding | 150.00 | 150.00 |
| b | Estimated amount of contracts remaining to be executed on Capital Accounts and not provided for (Net after advance payments) | 7.30 | 12.10 |
| c | Letter of Credits | 102.44 | 86.16 |
| d | Counter guarantee given to LG Balakrishnan & Bros Limited for guarantee given | to the extent of loan guaranteed | - |

28. RELATED PARTY DISCLOSURES (As identified by the Management and relied upon by Auditors)

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

i. Associate Companies

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

Notes to Financial Statements for the year ended 31st March 2013

ii. Key Management Personnel

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

iii Relatives of Key Management Personnel

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

Transactions during the year with related parties / Key Management Personnels are as under : (₹ in Lakhs)

| Nature of TransActions | Associate Companies | Relatives of Key Managerial Personnel | Key Managerial Personnel | Total 2012-13 | Total 2011-12 |
|---|---------------------|---------------------------------------|--------------------------|---------------|---------------|
| Managerial Remuneration | - | - | 16.80 | 16.80 | 16.80 |
| IC loan - Opening Balance | 423.34 | 395.00 | 30.00 | 848.34 | 962.67 |
| Loan receipts | - | - | - | - | 22.00 |
| Loan payments | 373.34 | 395.00 | 30.00 | 798.34 | 136.33 |
| IC loan - Closing Balance | 50.00 | - | - | 50.00 | 848.34 |
| Interest Payments | 13.80 | 7.28 | 0.36 | 21.44 | 96.72 |
| Rent Receipts | 62.62 | - | - | 62.62 | 7.34 |
| Rent Payment | 39.53 | - | - | 39.53 | 39.54 |
| DEPB Licence sold | 37.17 | - | - | 37.17 | 111.85 |
| Purchase of Power, Spares, Processing, Conversion, Service charges payments | 226.45 | - | - | 226.45 | 435.64 |
| Sales of Power, Stores, Materials and Service charges | 216.02 | - | - | 216.02 | 364.22 |
| Purchase of assets | 92.48 | - | - | 92.48 | - |
| Sales of Assets | 19.77 | - | - | 19.77 | - |
| Lease Charges Payments | 26.81 | - | - | 26.81 | 44.97 |
| Amount Payable as on Closing date | 98.41 | - | - | 98.41 | 150.08 |
| Amount Receivable as on Closing date | 4.92 | - | - | 4.92 | - |

29. Expenditure in Foreign Currency

(₹ in Lakhs)

| | 31.03.2013 | 31.03.2012 |
|------------------------|------------|------------|
| Travelling | 5.86 | 7.24 |
| Technical know-how fee | 34.87 | 51.22 |
| Others | 14.75 | 32.55 |
| | 55.48 | 91.01 |

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

| | | |
|------------------------|---|------|
| Stores and Spare Parts | - | 5.51 |
| | - | 5.51 |

(₹ in Lakhs)

| Particulars of Consumption | Imported | | Indigenous | | Total | |
|---|------------|------------|------------|------------|------------|------------|
| | 31.03.2013 | 31.03.2012 | 31.03.2013 | 31.03.2012 | 31.03.2013 | 31.03.2012 |
| Raw Materials (Including Expenses) | | | | | | |
| Value | - | - | 5,315.81 | 6,422.91 | 5,315.81 | 6,422.91 |
| Percentage | - | - | 100.00 | 100.00 | 100.00 | 100.00 |
| Stores & Spares (Including Expenses) | | | | | | |
| Value | - | 5.51 | 611.88 | 771.55 | 611.88 | 777.06 |
| Percentage | - | 0.71 | 100.00 | 99.29 | 100.00 | 100.00 |
| Packing Materials | | | | | | |
| Value | - | - | 70.68 | 87.08 | 70.68 | 87.08 |
| Percentage | - | - | 100.00 | 100.00 | 100.00 | 100.00 |

31. Earnings in Foreign Exchange

| | 31.03.2013 (₹ in Lakhs) | 31.03.2012 (₹ in Lakhs) |
|--|----------------------------|----------------------------|
| On account of Export of Goods at FOB value | 1,450.42 | 1,420.22 |

32 Gratuity:

Description of the Company's defined benefit Plan:

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

(₹ in Lakhs)

| Particulars | 31.03.13 | 31.03.12 | 31.03.11 | 31.03.10 | 31.03.09 |
|---|----------|----------|----------|----------|----------|
| 1 Principal Actuarial Assumptions (Expressed as weighted averages) | | | | | |
| Discount Rate | 8.05% | 8.00% | 8.00% | 8.00% | 8.00% |
| Salary Escalation | 7.00% | 6.00% | 6.00% | 8.00% | 8.00% |
| 2 Table Showing changes in present value of Obligation As on 31.03.2013 | | | | | |
| Present value of obligations as at the beginning of year | 43.85 | 33.96 | 31.33 | 24.10 | - |
| Interest cost | 3.26 | 2.53 | 2.38 | 1.93 | - |
| Current Service Cost | 7.71 | 8.03 | 6.13 | 4.53 | - |
| Benefits Paid | (6.71) | (4.61) | (3.08) | (1.56) | - |
| Actuarial (gain) / loss on obligations | 0.62 | 3.94 | (2.81) | 2.33 | - |
| Present value of obligations as at end of the year | 48.73 | 43.85 | 33.96 | 31.33 | 24.10 |
| 3 Table Showing changes in fair value of plan assets As on 31.03.2013 | | | | | |
| Fair value of plan assets at the beginning of the year | 55.26 | 43.51 | 39.19 | 25.24 | - |
| Expected return on plan assets | 4.19 | 3.81 | 3.16 | 2.57 | 0.78 |
| Contributions | 0.13 | - | 3.82 | 12.94 | 27.39 |
| Benefits Paid | (6.71) | (4.61) | (3.08) | (1.56) | (2.93) |
| Actuarial (gain) / loss on plan assets | 0.61 | (0.13) | (0.42) | - | - |
| Fair value of plan assets at the end of the year | 53.48 | 42.59 | 43.51 | 39.19 | 25.24 |

32 . Gratuity (Contd.)

| Particulars | 31.03.13 | 31.03.12 | 31.03.11 | 31.03.10 | 31.03.09 |
|--|----------|----------|----------|----------|----------|
| 4 Table showing fair value of plan assets | | | | | |
| Fair value of plan assets at the beginning of the year | 55.26 | 43.51 | 39.19 | 25.24 | - |
| Actual return on plan assets | 4.79 | 3.69 | 3.58 | 2.57 | |
| Contributions | 0.14 | - | 3.82 | 12.94 | - |
| Benefits Paid | (6.71) | (4.61) | (3.08) | (1.56) | - |
| Fair value of plan assets at the end of the year | 53.48 | 42.59 | 43.51 | 39.19 | - |
| Funded status | 4.75 | 11.41 | 9.56 | 7.86 | - |
| Excess of Actual over estimated return on plan assets (Actual rate of return = Estimated rate of return as ARD falls on 31st March) | - | - | - | | |
| 5 Actuarial Gain / Loss recognized As on 31.03.2013 | | | | | |
| Actuarial (gain) / loss on obligations | 0.62 | 3.94 | (2.81) | (2.33) | - |
| Actuarial (gain) / loss for the year - plan assets | - | - | - | - | - |
| Actuarial (gain) / loss on obligations | 0.62 | 3.94 | (2.81) | 2.33 | - |
| Actuarial (gain) / loss recognized in the year | 0.01 | 4.07 | (3.23) | 2.33 | |
| 6 The amounts to be recognized in the Balance Sheet and statements of profit and loss | | | | | |
| Present value of obligation as at the end of the year | 48.73 | 43.85 | 33.96 | 31.33 | 24.10 |
| Fair value of plan assets as at the end of the year | 53.48 | 42.59 | 43.51 | 39.19 | 25.24 |
| Funded status | 4.75 | 11.41 | 9.56 | 7.86 | - |
| Net assets / (liability) recognized in Balance Sheet | 4.75 | 11.41 | 9.56 | 7.86 | - |
| 7 Expenses Recognised in statement of Profit and Loss | | | | | |
| Current Service Cost | 7.71 | 8.03 | 6.13 | 4.53 | - |
| Interest Cost | 3.26 | 2.53 | 2.38 | 1.93 | - |
| Expected return on plan assets | (4.19) | (3.81) | (3.16) | (2.57) | - |
| Net Actuarial (gain) / loss recognized in the year | 0.01 | 4.07 | (3.23) | 2.33 | - |
| Expenses recognised in statement of Profit and Loss | 6.79 | 10.82 | 2.12 | 6.22 | - |

33. Exceptional items represents expenses incurred towards relocation and other incidental expenses incurred on shifting of machines from one manufacturing unit to another.

34 Operating Lease:
As Lessor:

The Company has given on lease, furnished premises situated at Pillaiappampalayam, Coimbatore to M/s. L.G.Balakrishnan & Bros. Ltd for a period of five years commencing from October 2012. The future minimum lease payments are as follows:

(₹ in Lakhs)

| Particulars | 31.03.2013 | 31.03.2012 |
|---|------------|------------|
| Within one year | 96.37 | 62.62 |
| After one year but not more than five years | 376.14 | 472.51 |
| More than five years. | | - |

As Lessee:

The Company has entered into operating leases, having a lease period ranging from one year to five years, with an option to renew the lease. The future minimum lease payments are as follows:

(₹ in Lakhs)

| Particulars | 31.03.2013 | 31.03.2012 |
|---|------------|------------|
| Within one year | 22.52 | 67.72 |
| After one year but not more than five years | 0.96 | 16.16 |
| More than five years | - | - |

“As per our Report of even date”

For **Haribhakti & Co.**

Firm Registration No. 103523W

Chartered Accountants

C.S. SATHYANARAYANAN

Membership No. 028328

Partner

Coimbatore
30.04.2013

V. RAJVIRDHAN
Executive Director

P. SHANMUGASUNDARAM
Director



| CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2013 | | (₹ in Lakhs) | |
|---|-------------------|-------------------|----------|
| PARTICULARS | 31.03.2013 | 31.03.2012 | |
| A Cash Flow From Operating Activities | | | |
| Net Loss Before Tax | (436.05) | (529.77) | |
| Adjustments for : | | | |
| Depreciation | 968.47 | 1,016.12 | |
| (Profit) / Loss on Sale of Assets (Net) | (119.69) | (5.77) | |
| Interest Income | (12.12) | (7.14) | |
| Interest Paid/other finance charges | 831.83 | 1,668.49 | 1,023.31 |
| Operating Profit before working capital changes | 1,232.44 | 1,496.75 | |
| Trade and Other receivables | (49.31) | (79.52) | |
| Inventories | (64.64) | 79.37 | |
| Loans & advances | 35.13 | 111.84 | |
| Trade payable | (100.66) | (410.14) | |
| Other current liabilities | (28.02) | (207.50) | (298.45) |
| | | | |
| Cash generated from Operations | 1,024.94 | 1,198.30 | |
| Direct taxes paid | - | - | |
| Net Cash Flow from Operating Activities | 1,024.94 | 1,198.30 | |
| B Cash Flow from Investing Activities : | | | |
| Purchase of Fixed Assets | (126.02) | (227.19) | |
| Sale of Fixed Assets | 313.45 | 8.26 | |
| Interest received | 12.12 | 7.14 | |
| Net Cash used in investing Activities | 199.55 | (211.79) | |
| C Cash Flow from Financing Activities : | | | |
| Long Term Borrowings (Net of Repayments) | (1,065.44) | 2,348.27 | |
| Unsecured Loans | 699.99 | (2,369.43) | |
| Working Capital Borrowings | (1,420.12) | 36.13 | |
| Interest paid | (831.83) | (1,023.31) | |
| Securities premium | 875.01 | - | |
| Proceeds from increase in share capital | 500.01 | - | |
| Net Cash Used in financing Activities | (1,242.38) | (1,008.34) | |
| D Net increase / (Decrease) in cash and cash equivalents (A+B+C) | (17.89) | (21.83) | |
| Cash and cash equivalents as at 1.4.2012 and 1.4.2011 | 22.57 | 44.40 | |
| (Opening Balance) | | | |
| Cash and cash equivalents as at 31.3.2013 and 31.3.2012 | 4.68 | 22.57 | |
| (Closing Balance) | | | |

“As per our Report of even date”

For **Haribhakti & Co.**

Firm Registration No. 103523W

Chartered Accountants

C.S. SATHYANARAYANAN

Membership No. 028328

Partner

Coimbatore
30.04.2013

V. RAJVIRDHAN
Executive Director

P. SHANMUGASUNDARAM
Director

LGB FORGE LIMITED

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

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

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

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

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

Thanking You,

Yours faithfully,

For LGB Forge Limited

(Sd./-)

V. Rajvirdhan

Executive Director

✂ ————— Cut along the line —————

Cameo Corporate Services Limited

Unit: LGB Forge Limited

"Subramanian Building"

No 1, Club House Road

Chennai- 600 002

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

Folio No./DP ID & Client ID :

Name of the First Holder :

E-mail ID address (to be Registered) :

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

Date: _____ Signature of 1st Holder _____

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

LGB FORGE LIMITED

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

ADMISSION SLIP

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

I hereby record my presence at the 7th Annual General Meeting of the Company held on 08.08.2013 at 09.15 A.M at Ardra Convention Centre, Kaanchan, 9, North Huzur Road, Coimbatore - 641 018.

.....
Signature of Member/Proxy

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



LGB FORGE LIMITED

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

PROXY FORM

I/We.....of.....being a Member/Members of LGB FORGE Limited, hereby appointoffailing him.....ofas my/our Proxy to attend and vote for me/us on my/our behalf at the 7th Annual General Meeting of the Company to be held on 08.08.2013 at 09.15 A.M. at Ardra Convention Centre, Kaanchan, 9, North Huzur Road, Coimbatore- 641 018 and any adjournment thereof.

As Witness by my/our hand(s) thisday of2013.

Signed by the said.....

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



Applicable to investors holding shares in Electronic Form.

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



ANNUAL REPORT

If Undelivered Please Return to :



LGB FORGE LIMITED

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

Tel : 0422 - 2532325, Fax : 0422 - 2532333

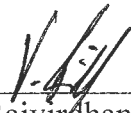
E-Mail : info@lgb.co.in Web site : www.lgbforge.co.in

FORM A

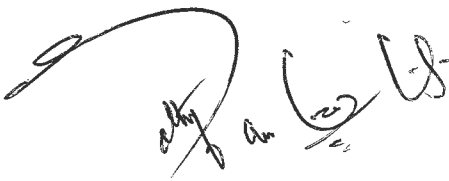
Format of covering letter of the annual audit report to be filed with the stock exchanges

1. Name of the Company: : LGB FORGE LIMITED
2. Annual financial statements for the year ended : 31st March, 2013
3. Type of Audit observation : Un-qualified
4. Frequency of observation : Not Applicable
5. To be signed by-

(a) CEO/Managing Director

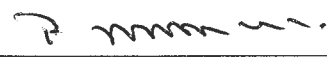

: V. Rajviradhan
Executive Director

(b) Auditor of the company


: C.S. Sathyanarayanan
Membership No.028328
Partner
Haribhakti & Co
Chartered Accountants, Coimbatore
Firm Registration No.103523W



(c) Audit Committee Chairman


: P. Shanmugasundaram
Director