

# LGB FORGE LIMITED



## INFORMATION MEMORANDUM FOR LISTING OF 10,00,01,034 EQUITY SHARES OF RE.1/- EACH FULLY PAID UP.





## **INFORMATION MEMORANDUM**

### **LGB FORGE LIMITED**

(Incorporated as Public Limited Company on 07th June, 2006)

Incorporated initially as a Public Limited Company on 07th day of June, 2006 under the name and style of "LGB FORGE LIMITED" under the provisions of the Companies Act, 1956 in the state of Tamilnadu.

#### **Registered Office**

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

Phone: 0422 - 2532325 Fax: 0422 -2532333

Website: [www.lgbforge.co.in](http://www.lgbforge.co.in)

E-mail: [info@lgb.co.in](mailto:info@lgb.co.in)

#### **Works:**

Pillayar Koil Street, Kottaipalayam Post, Coimbatore- 641 110

Pillaippanpalayam Village, Kumarapalayam Post, Coimbatore - 641 653

Plot No 80 & 81, KRS Road, Metagalli Post, Mysore - 570 016,

**INFORMATION MEMORANDUM FOR LISTING OF 10,00,01,034 EQUITY SHARES OF RE.1/- EACH FULLY PAID UP.  
NO EQUITY SHARES ARE PROPOSED TO BE SOLD OR OFFERED PURSUANT TO THIS INFORMATION MEMORANDUM**

#### **GENERAL RISKS**

Investments in equity and equity related securities involve a degree of risk and investors should not invest in the equity shares of LGB Forge Limited unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk Factors carefully before taking an investment decision in the shares of LGB Forge Limited. For taking an investment decision, investors must rely on their own examination of the Company including the risks involved.

#### **ABSOLUTE RESPONSIBILITY OF LGB FORGE LIMITED**

LGB Forge Limited having made all reasonable inquiries, accepts responsibility for, and confirms that this Information Memorandum contains all information with regard to LGB Forge Limited, which is material, that the information contained in the Information Memorandum is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Information Memorandum as a whole or any of such Information or the expression of any such opinions or intentions misleading in any material respect.

#### **LISTING**

The Equity Shares of LGB Forge Limited are proposed to be listed on the Bombay Stock Exchange Limited, Mumbai and the National Stock Exchange of India Limited. The Securities and Exchange Board of India (SEBI) vide its Letter No. CFD/DIL/19(2)(b)/PB/RA/132016/2008 Dt.16th July, 2008. has granted relaxation from the strict enforcement of the requirements of Rule 19(2)(b) of the Securities Contract (Regulation) Rules, 1957 for the purpose of listing of shares of LGB Forge Limited subject to the transferee company viz., LGBFL complying with all the provisions of Clause 8.3.5 of the SEBI (DIP) Guidelines, 2000.

#### **SHARE TRANSFER AGENT**

##### **CAMEO CORPORATE SERVICES LIMITED**

"Subramanian Building", No.1, Club House Road, Chennai - 600 002.

Tel.:044-28460390 Fax: 044 28460129 Email:[cameo@cameoindia.com](mailto:cameo@cameoindia.com)Website:[www.cameoindia.com](http://www.cameoindia.com)

## TABLE OF CONTENTS

S. No.	TOPIC	Page No.
	Glossary of Terms/ Abbreviations	3
	Risk Factors and Management Perceptions thereof	4
	Introduction	5
I.	General Information	6
II.	Capital Structure	10
III.	Objects & Rational of the Scheme	18
IV.	History	23
V.	Business	25
VI.	Products	25
VII.	Management of the Company	27
VIII.	Management Discussion & Analysis of the Financial Condition and Result of Operations as reflected in the Financial statements	32
IX.	Financial Information of LGB Forge Limited	33
X.	Group Companies	36
XI.	Outstanding Litigation, Defaults and Material Developments	40
XII.	Government Approvals	45
XIII.	Other Regulatory Disclosures	46
XIV	Main Provisions of the Articles of Association	46
XV.	Material Contracts and Documents	53
XVI.	Declaration	53

### GLOSSARY OF TERMS/ ABBREVIATIONS

Articles/ Articles of Association	Articles of Association of LGB Forge Limited
Auditors	The Statutory Auditors of LGB Forge Limited
Banker(s) to the Company	The Bankers of LGB Forge Limited
Board of Directors/ Board/ Directors	The Board of Directors of LGB Forge Limited
BSE	The Bombay Stock Exchange Limited
CDSL	Central Depository Services (India) Limited
Companies Act/Act	The Companies Act, 1956, as amended from time to time
DSE	Designated Stock Exchange
EPS	Earnings per Equity Share
Equity Shares	Equity shares of the Company of Re.1/- each unless otherwise specified in the context thereof
Financial year/ fiscal/ FY	The twelve months ended 31st March, unless otherwise stated
HUF	Hindu Undivided Family
Information Memorandum	This document as filed with the Stock Exchanges is known as and referred to as the Information Memorandum
I. T. Act	The Income Tax Act, 1961, as amended from time to time, except as stated otherwise
Memorandum/ Memorandum of Association	The Memorandum of Association of LGB Forge Limited
NAV	Net Asset Value
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
RBI	Reserve Bank of India
ROC	Registrar of Companies, Coimbatore.
SEBI	The Securities and Exchange Board of India constituted under the Securities and Exchange Board of India Act, 1992
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Guidelines	SEBI (Guidelines for Disclosure and Investor Protection) 2000 issued by Securities and Exchange Board of India effective from January 27, 2000, as amended, including instructions and clarifications issued by Securities and Exchange Board of India from time to time.
Stock Exchanges	BSE and NSE
Transferor Company	L.G.Balakrishnan & Bros Limited "LGB"
Transferee Company	LGB Forge Limited "LGBFL"

## RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all of the information in this Information Memorandum, including the risks and uncertainties described below. If any of the following risks actually occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment.

### Risk envisaged by the Management:

#### A. Risks Internal to the Company

##### 1. Risks relating to business operations

The operations of the Company are subject to the assumptions in demand and supply position in terms of quantity and price of raw material and finished goods.

##### 2. We focus primarily on the automobile and auto-components industry.

Our forging business is focused primarily on the automobile and auto components industry and therefore our business is dependent upon continued demand for our products in the automobile industry. Automobile Industry is cyclical in nature. Our forging business is further linked mainly with the automobile Industry. The auto-component industry is sensitive to changes in economic conditions and unforeseen events, including political instability, recession, inflation or other adverse occurrences. Any event that results in decreased demand in automobile industry, or increased pressure on automobile manufacturers to develop, implement and maintain in-house auto-component facilities, could have an adverse effect on our business, financial condition and results of operations.

##### 3. Our operating results depend on competitive advantage we enjoy with our key large customers.

Our strategy is to focus on large customers, who are limited in number, and therefore we are required to be competitive in the market. This

will bring pressures on our margins and consequently our results of operations and our business may be affected.

##### 4. Input cost or non-availability of inputs could reduce our profitability

The major input costs consist of steel, power & fuel, which are not in our control. We may not be able to pass on any or all increase in the cost of raw materials and other inputs, if any, to our customers. An increase, if any, in input costs could have an adverse effect on our business, financial condition and results of operations. Non-availability of these inputs can also affect operations leading to stoppage of production and in loss of customer orders.

##### 5. Our success depends in large part upon our management team and key personnel and our ability to attract and retain such persons.

Attracting and retaining talented professionals is a key element of our strategy and we believe it to be a significant source of competitive advantage. An inability to attract and retain talented professionals, or the resignation or loss of key management personnel, may have an adverse impact on our business, future financial performance and the price of our Equity Shares.

##### 6. Cordial relationship with the employees is crucial for smooth functioning of our operations.

Our operations rely heavily on employees and on the employees' ability to provide high-quality services. In the event there is a shortage of skilled labour or stoppage caused by disagreements with employees in future, it could affect our ability to meet the quality standards and timely completion of orders, which could lead to reduced business or may potentially damage our reputation.

##### 7. Outstanding litigation against our Promoter, our Promoter Group Companies and their employees.

Please refer to page No. 43



## **B. Risks External to the Company**

- 1. The fortunes of Indian Auto-components industry is largely dependent on the performance of Indian automobile industry, which in turn is driven by the fundamentals of the economy.**

### **Management Perception**

1. The Company carries appropriate sensitive analysis of various assumptions while drawing the business plans so as to minimize the risk relating, which may be caused due to sudden change in various assumptions considering for drawing the business plan.
2. The Company is actively considering the developing of other customers more specifically in domestic four wheelers segment and is also exploring the possibilities of tapping the export market for its products.

- 2. Our business is significantly affected by external factors.**

Our results may be significantly affected by factors outside our control such as political unrest, cross-border hostilities, civil commotion and acts of terrorism either in India or outside India. Other factors include potential negative changes in environmental regulations, government regulations. We are also subject to the risk of loss of revenues and assets due to fire or natural disasters. The occurrence of all such event including natural disasters could interrupt our business for significant periods.

- 3. General economic conditions could significantly adversely affect our financial results.**

Our business is cyclical and sensitive to changes in the automobile industry in particular and the economy in general. The forging sector may be unfavorably affected by such factors as changes in the global and domestic economies, changes in local market conditions, excess supply of capacities or setting up of newer capacities or reduced international or local demand for forged products, competition in the industry, changes

in interest rates, the availability of finance and other natural and social factors. Since demand for forged products is affected by world economic growth, a global recession could lead to a downturn in the forging industry.

- 4. Major challenges faced by the industry on the domestic front.**

Volatile international and domestic prices of forging quality steel and compliance with stringent environment norms and in exports the Impact of a rising rupee on export realization, Reluctance of suppliers and end users to compensate for increasing costs, Inadequate investment in technology up-gradation, due to high costs of capital.

- 5. After listing, the prices of our Company's shares may be volatile, or an active trading market for our Company's shares may not develop.**

There has been no public market for the Company's equity shares till now and the prices of the Company's shares may fluctuate after listing. There can be no assurance that an active trading market for the shares will develop or be sustained after this listing. The Company's share price could be volatile.

### **Note to risk factors:**

As per the Scheme of Arrangement, approved by the Hon'ble High Court of Judicature at Madras vide its order dated 21st April, 2008, the entire running business of the Forging Division of the transferor Company (L.G.Balakrishnan & Bros Limited) is transferred to the transferee Company (LGB Forge Limited) and the same will be carried on by the transferee Company on a going concern basis. Accordingly all the above risks are being addressed and will continue to be so addressed by the transferee Company also and the Company does not foresee any adverse impact on the business of the Company in future on this account.

## INTRODUCTION

### Summary

You should read the following summary together with the risk factors and the more detailed information about us and our financial results included elsewhere in this Information Memorandum.

### Industry Overview

Briefly, the composition of the Indian forging industry can be categorized into four sectors - large, medium, small and tiny. Only about 5% is made up by the large enterprises in terms of number. Out of the total approximately 330 odd units, the large sector consists of around 9-10 units, the medium and small sectors consists of around 100 units and under the tiny sector, the units functioning are far too many and the number is difficult to estimate. The Indian forging industry, which was previously more labour intensive, but now with increasing globalization it is becoming more capital intensive.

Increasing globalization has led to sharp rise in investments in the sector. Total investment in the large and medium sectors of the forging industry is estimated to be around US \$ 600 mn. To expand their markets and have a global reach, the small-scale units are also increasing their capital investments. The small-scale units have upgraded their facilities in terms of technology and quality and a number of them are now suppliers to Original Equipment Manufacturers (OEMs) in the automobile sector. The automotive industry is the major end-user of the forging industry. The other user industries include industrial machines, railways, oil & gas, power plants, and chemical plants, among others.

The year 2007-08 (April-March) was relatively not so good a year for the Indian Forging industry as compared to the previous year due to a continuous and steep rise in the prices of its basic input - forging quality steel. Overall production of forgings increased to about 1.2 million tonnes mark during the year.

### The Forging Industry

Indian automotive industry now has the dynamics of an open market. Many JVs have been set up in India with foreign collaboration, both technical and

financial with leading global manufacturers. Maximum growth has been witnessed in the commercial vehicles segment, followed by three-wheelers. Today, the passenger car segment has emerged as an important customer for the Indian forging industry.

The size of the Indian automotive industry is expected to grow at 13% p.a over the next decade to reach around US\$ 130-159 billion by 2016, the industry has witnessed an unprecedented boom in recent years, owing to the improvement in living standards of the middle class, and a significant increase in their disposable incomes. The industry is expected to touch the 10 million mark, to which the Commercial Vehicle Segment will be a major contributor. Industry experts peg the Indian Automobile sales growth at a compounded annual growth rate (CAGR) of 9.5 per cent - 13008 million vehicles - by 2010.

- ◆ Projected exports of Forging industry by 2015 approximately US\$ 3 billion.
- ◆ Indian auto component industry is expected to grow to US\$ 33-40 billion by 2015
- ◆ India is the second largest two-wheeler market in the world.
- ◆ Fourth largest commercial vehicle market in the world.
- ◆ 11th largest passenger car market in the world.
- ◆ Fifth-largest bus and truck market in the world (by volume)
- ◆ Envisaged to be the 7<sup>th</sup> largest automobile market by 2016, and world's 3rd largest by 2030 (behind only China and the US)

(Relevant information stated above has been taken from website of Association of Indian Forging Industry)

**GENERAL INFORMATION**

The Company was incorporated initially as a Public Limited Company on 07<sup>th</sup> day of June 2006 under the name and style of "LGB FORGE LIMITED" under the provisions of the Companies Act, 1956 (No.1 of 1956), in the State of Tamilnadu.

**Address of Registered Office of Company**

6/16/13, Krishnarayapuram Road,  
Ganapathy Post, Coimbatore - 641 006  
Phone:0422-2532325 Fax: 0422-2532333

**Registration Number:** U27310TZ2006PLC012830

**Address of Registrar of Companies**

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

**Board of Directors as on the date of filing of the draft Information Memorandum**

No.	Name of the Directors
1	Sri. B. Vijayakumar
2	Sri. P.S. Balasubramanian, Managing Director
3	Sri. P. Shanmugasundaram
4	Smt. Rajsri Vijayakumar
5	Sri. P.V. Ramakrishnan
6	Sri. K.N.V. Ramani
7	Sri. Harsha Lakshmi Kanth

For further details of the Board of Directors of the Company, please see - the Section titled "Management" at page No. 29

**Authority for Listing**

The Hon'ble High Court of Judicature at Madras vide its order dated 21st April, 2008 have approved the Scheme of Arrangement between L.G.Balakrishnan & Bros Limited and LGB Forge Limited, whereby the entire business pertaining to 'Forging Division' of L.G.Balakrishnan & Bros Limited has been transferred to and vested in LGB forge Limited w.e.f. 1st April, 2008 (i.e. the Appointed Date under the Scheme) under Sections 391 read with Section 394 of the Companies Act, 1956. In accordance with the said Scheme, the Equity Shares of LGB Forge Limited issued pursuant to the Scheme shall, subject to applicable regulations, be listed and admitted to trading on The Bombay Stock Exchange Limited, ("BSE") and the National Stock Exchange of India

Limited ("NSE"). Such listing and admission for trading will be subject to fulfillment by the Company of listing criteria of BSE & NSE for such issues and also subject to such other terms and conditions as may be prescribed by BSE & NSE at the time of the application by the Company seeking listing.

**Eligibility Criteria**

There being no Initial Public Offering or Rights Issue, the eligibility criteria in terms of Clause 2.2.1 of SEBI (DIP) Guidelines, 2000 does not become applicable. The Securities and Exchange Board of India (SEBI) vide its Letter No. CFD/DIL/19(2)(b)/PB/RA/132016/2008 dated 16th July, 2008. has granted relaxation from the strict enforcement of the requirements of Rule 19(2)(b) of the Securities Contract (Regulation) Rules, 1957 for the purpose of listing of shares of LGB Forge Limited subject to the transferee company viz. LGBFL, complying with all the provisions of Clause 8.3.5 of the SEBI (DIP) Guidelines, 2000.

The Company has submitted its Information Memorandum, containing information about itself, making disclosures in line with the disclosure requirement for public issues, as applicable, to BSE for making the said Information Memorandum available to public through their websites viz. [www.bseindia.com](http://www.bseindia.com). The Company will make the said Information Memorandum available on its website viz. [www.lgbforge.co.in](http://www.lgbforge.co.in).

The Company will publish an advertisement in the newspapers containing its details in line with the details required as per clause 8.3.5.4 of SEBI (DIP) Guidelines, 2000. The advertisement will draw a specific reference to the availability of aforesaid Information Memorandum on its website.

**Prohibition by SEBI**

The Company, its directors, its promoters, the companies promoted by the promoters and companies with whom the Company's Directors are associated as directors have not been prohibited from accessing the capital markets under any order or direction passed by SEBI.

**Caution**

The Company accepts no responsibility for statements made otherwise than in the Information Memorandum or in the advertisements to be published in terms of Clause 8.3.5.4 of SEBI (DIP)



Guidelines, 2000 or any other material issued by or at the instance of the Company and anyone placing reliance on any other source of information would be doing so at his or her own risk. All information shall be made available by the Company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner.

#### **Disclaimer Clause of BSE**

As required, a copy of this Information Memorandum will be submitted to BSE. The BSE has vide its letter DCS/AMAL/SKS/24(f)/2280/2007-08 dated February 22, 2008 has approved the Scheme of Arrangement under Clause 24(f) of the Listing Agreement and by virtue of that approval the BSE's name has been incorporated in this Information Memorandum as one of the Stock Exchanges on which the Company's securities are proposed to be listed. It is distinctly understood that the aforesaid permission given by BSE should not in any way be deemed or construed that this Information Memorandum has been cleared or approved by the BSE nor does BSE in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Information Memorandum; nor does it warrant that the Company Securities will be listed or continued to be listed on the BSE; nor does it take any responsibility for the financial or other soundness of this Company, its Promoters, its Management or any scheme or any other reason whatsoever.

Every person who desires to apply for or otherwise acquire any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

#### **Disclaimer Clause of NSE**

As required, a copy of this Information Memorandum will be submitted to NSE. The NSE has vide its letter NSE/LIST/67324-G dated February 21, 2008 has approved the Scheme of Arrangement under Clause 24(f) of the Listing Agreement and by virtue of that approval the NSE's name has been incorporated in this Information Memorandum as one of the Stock

Exchanges on which the Company's securities are proposed to be listed.

It is distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that this Information Memorandum has been cleared or approved by the NSE nor does NSE in any manner warrant, certify or endorse the correctness or completeness of any of the contents of of this Information Memorandum; nor does it warrant that the Company Securities will be listed or continued to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its Promoters, its Management or any scheme or any other reason whatsoever.

Every person who desires to apply for or otherwise acquire any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

#### **Filing**

Copies of this Information Memorandum will be filed with BSE and NSE in due compliance.

#### **Listing**

Applications have been made to BSE and NSE for permission to deal in and for an official quotation of the Equity Shares of the Company. The Company has nominated BSE as the Designated Stock Exchange for the aforesaid listing of the shares. The Company has already taken steps for the completion of necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above.

#### **Demat Credit**

Company has executed Tri-partite Agreements with NSDL and CDSL for admitting its securities in demat form. Company has been allotted ISIN No. INE201J01017. All the shareholders holding shares in electronic form have already been given credit of their respective holdings as on record date i.e. 28th May, 2008 through NSDL on 05th June 2008 and CDSL on 6th June, 2008 respectively.

**Dispatch of Share Certificates**

With respect to the shareholders holding shares in physical form, the new shares have been allotted and physical share certificates have been dispatched at the address of such shareholders as appearing in the records of the Registrar on the record date i.e. 28th May, 2008 as above.

**Expert Opinions**

Save as stated elsewhere in this Information Memorandum, we have not obtained any expert opinions.

**Previous rights and public issues**

The Company has not made any public issue since incorporation.

**Companies under the same management**

There are no companies under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act, other than our Promoter and Promoter Group companies. List of Promoter Group Companies is mentioned at Page No.38 to this Information Memorandum.

**Promise vis-à-vis performance**

This is for the first time the Company is getting listed on the Stock Exchange

**Stock Market Data for Equity shares of the Company**

Equity shares of the Company are not listed on any stock exchanges. The Company is seeking approval for listing of its shares through this Information Memorandum.

**Disposal of Investor Grievances**

The Company estimates that the average time required by the Company or the Registrar for the redressal of routine investor grievances shall be 15 days from the date of receipt of the complaint. In case of non routine complaints and complaints where external agencies are involved, the Company will seek to redress these complaints as expeditiously as possible. The Company has appointed Mr. P. Manoj, Company Secretary as the Compliance Officer and he may be contacted at the following address in case of any matters pertaining to shares/securities.

**Mr. P. Manoj**

Company Secretary

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

Phone: 0422- 3911121; Fax: 0422 -3911163

E-mail: p.manoj@lgb.co.in

Website: www. lgbforge.co.in

The Company has also appointed M/s Cameo Corporate Services Limited as the Registrar and Share Transfer Agent of the Company. Investors may contact Cameo Corporate Services Limited for any matters relating to shares/securities of the Company at the following address:

Mr. R. D. Ramasamy,

Director

Cameo Corporate Services Limited

"Subramanian Building", No.1, Club House Road, Chennai - 600 002.

Tel.:044-28460390 Fax: 044-28460129

Email:cameo@cameoindia.com

Website:www.cameoindia.com

**Auditors**

M/s. Suri & Co

Chartered Accountants

II Floor, A.M.M. Buildings, 354, Mettupalayam Road, Coimbatore - 641 043.

Tel: 0422-2433627 Fax: 0422-2438727

E-Mail: suricocbe@eth.net

**Bankers to the Company****ICICI Bank Limited**

Cheran Plaza, I Floor, 1090 Trichy Road, Coimbatore - 641 018.

**AXIS Bank**

Cheran Plaza, II Floor, 1090 Trichy Road, Coimbatore - 641 018.

**Compliance Officer****Mr. P. Manoj**

Company Secretary

6/16/13, Krishnarayapuram Road,

Ganapathy Post, Coimbatore - 641 006

Phone: 0422- 3911121; Fax: 0422 -3911163

E-mail : p.manoj@lgb.co.in

Website: www. : lgbforge.co.in

Investors can contact the Compliance Officer in case of any share transfer related problem.

## II. CAPITAL STRUCTURE

Consequent to the Scheme coming into effect and issue and allotment of shares pursuant to the Scheme, the Share Capital of the Company is as follows:

	Pre-Scheme of Arrangement		Post-Scheme of Arrangement	
	No. of Shares	Value(in. Rs.)	No. of Shares	Value(in. Rs.)
<b>A. Authorised Share Capital</b>				
Equity Shares of Re.1/- each	12,00,00,000	12,00,00,000	12,00,00,000	12,00,00,000
<b>Total</b>	<b>12,00,00,000</b>	<b>12,00,00,000</b>	<b>12,00,00,000</b>	<b>12,00,00,000</b>
<b>B. Issued Share Capital</b>				
Equity Shares of Re.1/- each	2,15,20,000	2,15,20,000	10,00,01,034	10,00,01,034
<b>Total</b>	<b>2,15,20,000</b>	<b>2,15,20,000</b>	<b>10,00,01,034</b>	<b>10,00,01,034</b>
<b>C. Subscribed Share Capital</b>				
Equity Shares of Re.1/- each	2,15,20,000	2,15,20,000	10,00,01,034	10,00,01,034
<b>Total</b>	<b>2,15,20,000</b>	<b>2,15,20,000</b>	<b>10,00,01,034</b>	<b>10,00,01,034</b>
<b>D. Paid-up Share Capital</b>				
Equity Shares of Re.1/- each	2,15,20,000	2,15,20,000	10,00,01,034	10,00,01,034
<b>Total</b>	<b>2,15,20,000</b>	<b>2,15,20,000</b>	<b>10,00,01,034</b>	<b>10,00,01,034</b>

As per Clause 8.1 to 8.8 of the Scheme of Arrangement as approved by the Hon'ble High Court of Madras, the Company has issued and allotted on 30th May 2008, 7,84,81,034 equity shares of Re.1/- each fully paid-up to the equity shareholders of L.G. Balakrishnan & Bros Ltd in the ratio of 1 : 1 (One share in LGB Forge Ltd for every shares held in L.G. Balakrishnan & Bros Ltd).

### Share Capital History of the Company

No. and Date of Incorporation:

U27310TZ2006PLC012830 Dated 07th June, 2006

Particulars	Event	Authorised Share Capital	Issued Share Capital	Subscribed Share Capital	Paid-up Share Capital	Total Paid-up Capital in Rs.
On the Date of incorporation	07.06.06	1,00,000 Equity Shares of Rs.10/- each	1,00,000 Equity Shares of Rs.10/- each	1,00,000 Equity Shares of Rs.10/- each	1,00,000 Equity Shares of Rs.10/- each	10,00,000/- (1,00,000 Equity Shares of Rs.10/-each)
Sub division of Equity Shares	05.12.07 (EGM)	10,00,000 Equity Shares of Re.1/- each	10,00,000 Equity Shares of Re.1/- each	10,00,000 Equity Shares of Re.1/- each	10,00,000 Equity Shares of Re.1/- each	10,00,000/- (10,00,000 Equity Shares of Re.1/-each)
Increase of Authorised Share Capital	05.12.07 (EGM)	Increased to Rs.12,00,00,000 divided into 12,00,00,000 Equity Shares of Re.1/- each				
Allotment of further shares	05.12.07 (EGM)	Allotment of 2,05,20,000 EquityShares of Re.1/- to promoters	2,15,20,000 Equity Shares of Re.1/- each)	2,15,20,000 Equity Shares of Re.1/- each)	2,15,20,000 Equity Shares of Re.1/- each)	2,15,20,000/- (2,15,20,000 Equity Shares of Re.1/-each)

1. As per Clause 8.1 to 8.8 of the Scheme of Arrangement as approved by the Hon'ble High Court of Madras, all the equity shareholders of the transferor company shall be issued 1 (one) equity share in the transferee company as on the record date fixed by the transferor Company. Those shareholders holding the shares in physical form shall get shares in the physical form and those holding in Demat shall be credited in Demat Form.

**Shareholding pattern of Equity Shares - Pre - Scheme of Arrangement.**

Category code	Category of shareholder	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares	
				As a percentage of (A+B)	As a percentage of (A+B+C)
<b>(A)</b>	<b>Shareholding of Promoter and Promoter Group<sup>1</sup></b>				
<b>(1)</b>	<b>Indian</b>				
(a)	Individuals/ Hindu Undivided Family	1,08,20,000	74,20,000	50.28	50.28
(b)	Central Government/ State Government(s)	0	0	0	0
(c)	Bodies Corporate	1,07,00,000	1,07,00,000	49.72	49.72
(d)	Financial Institutions/ Banks				
(e)	Any Other (specify)	0	0	0	0
	<b>Sub-Total (A)(1)</b>	<b>2,15,20,000</b>	<b>0</b>	<b>100</b>	<b>100</b>
<b>(2)</b>	<b>Foreign</b>				
(a)	Individuals (Non-Resident Individuals/ Foreign Individuals)	0			
(b)	Bodies Corporate	0	0	0	0
(c)	Institutions	0	0	0	0
(d)	Any Other (specify)	0	0	0	0
	<b>Sub-Total (A)(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)</b>				
<b>(B)</b>	<b>Public shareholding<sup>1</sup></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>(1)</b>	<b>Institutions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
(a)	Mutual Funds/ UTI	0	0	0	0
(b)	Financial Institutions/Banks	0	0	0	0
(c)	Central Government/ State Government(s)	0	0	0	0
(d)	Venture Capital Funds	0	0	0	0
(e)	Insurance Companies	0	0	0	0
(f)	Foreign Institutional Investors	0	0	0	0

Category code	Category of shareholder	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares	
				As a percentage of (A+B)	As a percentage of (A+B+C)
(g)	Foreign Venture Capital Investors	0	0	0	0
(h)	Any Other (specify)	0	0	0	0
	<b>Sub-Total (B)(1)</b>	0	0	0	0
(2)	<b>Non-institutions</b>	0	0	0	0
(a)	Bodies Corporate	0	0	0	0
(b)	Individuals -				
i.	Individual shareholders holding nominal share capital up to Rs. 1 lakh.	0	0	0	0
ii.	Individual shareholders holding nominal share capital in excess of Rs.1 lakh.	0	0	0	0
(c)	Any Other (specify)	0	0	0	0
	<b>Sub-Total (B)(2)</b>	0	0	0	0
	<b>Total Public Shareholding (B)= (B)(1)+(B)(2)</b>	0	0	0	0
	<b>TOTAL (A)+(B)</b>	0	0	0	0
(C)	Shares held by Custodians and against which Depository Receipts have been issued (Footnotes)	0	0	0	0
	<b>GRAND TOTAL (A)+(B)+(C)</b>	2,15,20,000	0	100	100

(l)(b) Statement showing Shareholding of persons belonging to the category "Promoter and Promoter Group"

Sr. No.	Name of the shareholder	Number of shares	Shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (l)(a) above}
1.	B.Vijayakumar	22,70,000	10.55
2.	Vijayshree Vijayakumar	20,00,000	9.29
3.	Rajsri Vijayakumar	31,50,000	14.64
4.	Rajvirdhan. V	34,00,000	15.80
5.	L.G.Balakrishnan & Bros Limited	1,05,50,000	49.02
6.	Elgi Automotive Services Limited	50,000	0.23



Sr. No.	Name of the shareholder	Number of shares	Shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
7.	LGB Auto Products Limited	50,000	0.23
8.	LG Farm Products Limited	50,000	0.23
	<b>TOTAL</b>	<b>2,15,20,000</b>	<b>100.00</b>

(I)(c) Statement showing Shareholding of persons belonging to the category “Public” and holding more than 1% of the total number of shares

Sr. No.	Name of the shareholder	Number of shares	Shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
		NIL	

(I)(d) Statement showing details of locked-in shares

Sr. No.	Name of the shareholder	Number of locked-in shares	Locked-in shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
		NIL	

(II)(a) Statement showing details of Depository Receipts (DRs)

Sr. No.	Type of outstanding DR (ADRs, GDRs, etc.)	Number of outstanding DRs, etc.)	Number of shares underlying DRs	Shares underlying outstanding DRs as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1.		NIL		

(II)(b) Statement showing Holding of Depository Receipts (DRs), where underlying shares are in excess of 1% of the total number of shares

Sr. No.	Name of the DR Holder	Type of outstanding DR (ADRs, etc.)	Number of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1.		NIL		

## Shareholding pattern of Equity Shares Post - Scheme of Arrangement

Category code	Category of shareholder	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares	
				As a percentage of (A+B)	As a percentage of (A+B+C)
<b>(A)</b>	<b>Shareholding of Promoter and Promoter Group</b>				
<b>(1)</b>	<b>Indian</b>				
(a)	Individuals/ Hindu Undivided Family	3,49,42,919	90,43,079	34.94	34.94
(b)	Central Government/ State Government(s)	0	0	0	0
(c)	Bodies Corporate	2,04,41,142	1,55,81,262	20.44	20.44
(d)	Financial Institutions/ Banks	0	0	0	0
(e)	Any Other (specify)	0	0	0	0
	<b>Sub-Total (A)(1)</b>	<b>5,53,84,061</b>	<b>2,46,24,341</b>	<b>55.38</b>	<b>55.38</b>
<b>(2)</b>	<b>Foreign</b>				
(a)	Individuals (Non-Resident Individuals/ Foreign Individuals)	0	0	0	0
(b)	Bodies Corporate	0	0	0	0
(c)	Institutions	0	0	0	0
(d)	Any Other (specify)	0	0	0	0
	<b>Sub-Total (A)(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)</b>	<b>5,53,84,061</b>	<b>2,46,24,341</b>	<b>55.38</b>	<b>55.38</b>
<b>(B)</b>	<b>Public shareholding<sup>1</sup></b>				
<b>(1)</b>	<b>Institutions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
(a)	Mutual Funds/ UTI	0	0	0	0
(b)	Financial Institutions/ Banks	16,020	16,000	0.02	0.02
(c)	Central Government/ State Government(s)	0	0	0	0
(d)	Venture Capital Funds	0	0	0	0
(e)	Insurance Companies	1,35,960	1,35,960	0.14	0.14
(f)	Foreign Institutional Investors	87,31,058	87,24,558	8.73	8.73
(g)	Foreign Venture Capital Investors	0	0	0	0
(h)	Any Other (specify)	0	0	0	0
	<b>Sub-Total (B)(1)</b>	<b>8,883,038</b>	<b>88,76,518</b>	<b>8.88</b>	<b>8.88</b>

Category code	Category of shareholder	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares	
				As a percentage of (A+B)	As a percentage of (A+B+C)
(2)	<b>Non-institutions</b>				
(a)	Bodies Corporate	27,37,516	27,04,725	2.74	2.74
(b)	Individuals -				
	i. Individual shareholders holding nominal share capital up to Rs.1 lakh.	2,31,30,125	1,83,64,902	23.13	23.13
	ii. Individual shareholders holding nominal share capital in excess of Rs.1 lakh.	86,77,850	22,01,350	8.68	8.68
(c)	Any Other (specify)	0	0	0	0
	NRIs/OCBs	1,52,531	1,31,031	0.15	0.15
	Clearing Member	1,94,807	1,94,807	0.19	0.19
	Directors & Relatives	86,000	58,000	0.09	0.09
	Hindu Undivided Families	7,55,106	7,55,106	0.75	0.75
	<b>Sub-Total (B)(2)</b>	<b>3,57,33,935</b>	<b>2,44,09,921</b>	<b>35.73</b>	<b>35.72</b>
	<b>Total Public Shareholding (B)= (B)(1)+(B)(2)</b>	<b>4,46,16,973</b>	<b>3,32,86,439</b>	<b>44.62</b>	<b>44.62</b>
	<b>TOTAL (A)+(B)</b>	<b>10,00,01,034</b>	<b>5,79,10,780</b>	<b>100</b>	<b>100</b>
(C)	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0
	<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>10,00,01,034</b>	<b>5,79,10,780</b>	<b>100</b>	<b>100</b>

(l)(b) Statement showing Shareholding of persons belonging to the category "Promoter and Promoter Group"

Sr. No.	Name of the shareholder	Number of shares	Shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (l)(a) above}
1.	B.Vijayakumar	1,16,32,200	11.63
2.	Vijayshree Vijayakumar	20,97,559	2.09
3.	Rajsri	75,97,880	7.60
4.	Rajvirdhan.V	84,75,300	8.47
5.	B.Sarojini	41,24,460	4.12
6.	Arjun Karivaradhan	5,08,520	0.51

Sr. No.	Name of the shareholder	Number of shares	Shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
7.	Nithin Karivaradhan	5,07,000	0.50
8.	Elgi Automotive Services Limited	41,33,871	4.13
9.	LGB Auto Products Limited	38,45,314	3.84
10.	LG Farm Products Limited	14,73,000	1.47
11.	Super Speeds Private Limited	66,900	0.07
12.	LG Sports Limited	4,057	0.00
13.	Super Transports Private Limited	3,50,000	0.35
14.	Silent Chain India Private Limited	18,000	0.02
15.	L.G. Balakrishnan & Bros Limited	10,550,000	10.550
	<b>TOTAL</b>	<b>55,384,061</b>	<b>55.384</b>

(I)(c) Statement showing Shareholding of persons belonging to the category “Public” and holding more than 1% of the total number of shares

Sr. No.	Name of the shareholder	Number of shares	Shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1.	LGB Educational Foundation	48,15,640	4.82
2.	Goldman Sachs Investments (Mauritius) India Limited	10,68,127	1.07
3.	International Finance Corporation	55,32,714	5.53
4.	EAST SAIL	15,76,639	1.58
5.	Templeton Mutual A/c Franklin India Flexi CP Fund	40,70,371	4.07
	<b>TOTAL</b>	<b>1,70,63,491</b>	<b>17.06</b>

(I)(d) Statement showing details of locked-in shares

Sr. No.	Name of the shareholder	Number of locked-in shares	Shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1.	B.Vijayakumar	22,70,000	2.27
2.	Vijayshree Vijayakumar	20,00,000	2.00
3.	Rajsri Vijayakumar	31,50,000	3.15
4.	Rajvirdhan. V	34,00,000	3.40
5.	L.G.Balakrishnan & Bros Limited	1,05,50,000	10.55
6.	Elgi Automotive Services Limited	50,000	0.05
7.	LGB Auto Products Limited	50,000	0.05
8.	LG Farm Products Limited	50,000	0.05
	<b>TOTAL</b>	<b>2,15,20,000</b>	<b>21.52</b>

## (II)(a) Statement showing details of Depository Receipts (DRs)

Sr. No.	Type of outstanding DR (ADRs, GDRs, etc.)	Number of outstanding DRs, etc.)	Number of shares underlying DRs	Shares underlying outstanding DRs as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1.		NIL		

## (II)(b) Statement showing Holding of Depository Receipts (DRs), where underlying shares are in excess of 1% of the total number of shares

Sr. No.	Name of the DR Holder	Type of outstanding DR (ADRs, etc.)	Number of shares underlying DRs	Shares underlying outstanding DRs as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1.		Nil		

## D. Top 10 shareholders of the Company as on 30th May, 2008

S. No.	Name of the Shareholder	No. of shares to be allotted upon de-merger	%
1.	Vijayakumar B	1,16,32,200	11.63
2.	L.G.Balakrishnan & Bros Limited	1,05,50,000	10.55
3.	Rajvirdhan.V	84,75,300	8.47
4.	Rajsri Vijayakumar	75,97,880	7.60
5.	International Finance Corporation	55,32,714	5.53
6.	L.G.B.Educational Foundation	48,15,640	4.81
7.	Elgi Automotive Services Limited	41,33,871	4.13
8.	B.Sarojini	41,24,460	4.12
9.	LGB Auto Products Limited	38,45,314	3.84
10.	Vijayshree Vijayakumar	20,97,559	2.09

- 1) As on date of this Information Memorandum, there are no outstanding warrants, options or rights to convert debentures, loans or other instruments into equity shares of the Company.
- 2) There will be no further issue of capital by the Company whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from the date of approval of the Scheme by the High Court till listing of the Equity Shares to be allotted as per the Scheme.
- 3) The face value of the equity shares is Re. 1/- and there shall be only one denomination for the Equity Shares of the Company, subject to applicable regulations and the Company shall comply with such disclosure and accounting norms specified by SEBI, from time to time.
- 4) The transferee Company has 19,258 members as on date of filing of this Information Memorandum.



### III. OBJECTS OF THE SCHEME OF ARRANGEMENT

L.G.Balakrishnan & Bros Limited (Transferor Company) carry on the business areas of automotive & industrial transmission, forging and fine blanking, which in 2007-08 accounted for 55%, 15% and 18% of revenue respectively. The balance business comes from LGB's windmills and Tata Motors LCV dealership business.

In order to have more focused business into their core area of activities and to make them grow independently, the management of L.G. Balakrishnan & Bros Limited has decided to demerge the Forging Division into a separate entity. Accordingly, LGB Forge Limited has formulated. As a result of the demerger, LGB Forge Limited would focus on the Forging Division, leaving L.G. Balakrishnan & Bros Limited to focus on the Remaining Business. This will help in achieving the overall growth of both the companies i.e. L.G.Balakrishnan & Bros Limited and LGB Forge Limited and maximizing the shareholders' value of both the entities.

The demerger will bring about economies of scale and opportunities to rationalize infrastructure and cost and operating expenses. The demerger will enable financial support to the Forging unit and will not be prejudicial to the interest of the creditors and shareholders of the Transferor Company or the Transferee Company. The Scheme will have beneficial results for employee, creditors and shareholders of the Transferor and Transferee Company.

The demerger will create a mirror shareholding in LGB Forge Limited and so each member's economic interest on a combined basis remains the same. Additionally, each member would now have the option to choose between either remaining in both companies or selectively exiting either company.

#### THE MAIN FEATURES OF THE SCHEME OF ARRANGEMENT

1. L.G.Balakrishnan & Bros Limited (the transferor company) is having its registered office at 6/16/13, Krishnarayapuram Road, Ganapathy Post, Coimbatore - 641 006 (Tamilnadu). The company was engaged in the business activities with its three divisions, viz. automotive & industrial transmission, forging and fine blanking.

2. The company had filed the Scheme of Arrangement before the Hon'ble High Court of Judicature at Madras, on 31.03.2008 for approval and the Hon'ble High Court of Madras, approved the Scheme vide its order dated 21st April, 2008.
3. Pursuant to the Scheme of Arrangement, the entire Forging Division Business of the demerged company has been transferred to and vested in the Company with effect from April 1, 2008 (the Appointed Date) at book value on a going concern basis.
4. The Scheme of Arrangement became operational from the appointed date which is 1st April, 2008.
5. Pursuant to the Scheme of Arrangement, the shareholders of L.G. Balakrishnan & Bros Limited whose name appears in the Register of Members of L.G.Balakrishnan & Bros Limited on the record Date fixed for the aforesaid purpose has received 1 (One) Equity Share of Re.1/- each of the Company for every 1 (One) Equity Shares of Re.1/- each held by such member in L.G. Balakrishnan & Bros Limited.
6. All employees of L.G.Balakrishnan & Bros Limited who are working exclusively for the Forging Division and such other employees of L.G.Balakrishnan & Bros Limited who are presently working for both L.G. Balakrishnan & Bros Limited and the Forging Division have been by mutual consent be transferred to the Company on the Effective Date on the terms and conditions not less favourable than those on which they were engaged in L.G.Balakrishnan & Bros Limited and without any interruption of service as a result of the demerger.
7. The entire business including all assets and liabilities pertaining to the Forging division of the transferor company as on the appointed date shall stand transferred to and vest in the LGB Forge Limited, on a going concern basis.

#### APPROVALS WITH RESPECT TO THE SCHEME OF ARRANGEMENT

The Honorable High Court of Judicature at Madras, vide their Order dated 21st April, 2008 have

approved the Scheme of Arrangement between L.G. Balakrishnan & Bros Limited and LGB Forge Limited. Pursuant to this Scheme, the entire Forging unit of the Transferor Company as a going concern together with all the assets and liabilities relating to the Forging unit is transferred to and vested in the Transferee Company with effect from 1st April, 2008 (i.e. the Appointed Date under the Scheme) under Sections 391 read with Section 394 of the Companies Act, 1956. In accordance with the said Scheme, the Equity Shares of LGB Forge Limited issued pursuant to the Scheme, subject to the applicable regulations shall be admitted to trading on BSE and NSE. Such listing and admission for trading is not automatic and will be subject to such other terms and conditions as may be prescribed by the Stock Exchanges at the time of application by LGB Forge Limited seeking listing.

The aforesaid Court Orders were filed by L.G. Balakrishnan & Bros Limited and LGB Forge Limited with the Registrar of Companies, Coimbatore on 9th May, 2008 which is the effective date of the Scheme of Arrangement.

### Eligibility Criteria

There being no Initial Public Offering or Rights Issue, the eligibility criteria in terms of Clause 2.2.1 of SEBI (DIP) Guidelines, 2000 does not become applicable. However, SEBI has vide its letter CFD/DIL/19(2)(b)/PB/RA/132016/2008 dated 16th July, 2008 relaxed the applicability of provisions of Regulation 19(2)(b) of the Securities Contract (Regulations) Rules, 1957 under Clause 8.3.5 of SEBI (DIP) Guidelines, 2000. The Company has submitted its Information Memorandum, containing information about itself, making disclosures in line with the disclosure requirement for public issues, as applicable, to BSE and NSE for making the said Information Memorandum available to public through their websites viz. [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com). The Company has made the said Information Memorandum available on its website viz. [www.lgbforge.co.in](http://www.lgbforge.co.in)

The Company will publish an advertisement in the newspapers containing its details in line with the details required as in terms of clause 8.3.5.4 of SEBI (DIP) Guidelines. The advertisement will draw specific reference to the availability of this

Information Memorandum on its website of LGB Forge Limited as well as BSE and NSE.

LGB Forge Limited also undertakes that all material information about itself shall be disclosed to Stock Exchanges on a continuous basis so as to make the same available to public.

### STATEMENT OF TAX BENEFITS

As per the present provisions of Income-tax Act, 1961 (hereinafter referred to as "the Act") and other laws as applicable for the time being in force in India, the following tax benefits are available to the Company and to the shareholders of the Company, subject to fulfillment of prescribed conditions:

- A. To the Company under the Income Tax Act, 1961 ('the Act')
  - 1 Under Section 32 of the Act, the Company is entitled to claim depreciation allowance at the prescribed rates on all its tangible and intangible assets acquired and put to use for its business.
  - 2 Under Section 10(34) of the Act, dividend income (whether interim or final) received by the Company from any other domestic company (in which the Company has invested) is exempt from tax in the hands of the Company.
  - 3 The income received by the Company from distribution made by any mutual fund specified under Section 10(23D) of the Act or from the Administrator of the specified undertaking or from the specified companies referred to in Section 10(35) of the Act is exempt from tax in the hands of the Company under Section 10(35) of the Act.
  - 4 Under Section 10(38) of the Act, the Long-term Capital Gains arising on transfer of any listed equity shares in any other company or units of equity oriented mutual funds, which are chargeable to Securities Transaction Tax, are exempt from tax in the hands of the company.
  5. As per the provisions of Section 112(1)(b) of the Act, other Long-term Capital Gains arising to the Company are subject to tax at the rate of 20% (plus applicable surcharge and education cess). However, as per the Proviso to that section, the long-term capital gains resulting from transfer of listed securities or units [not covered by section

10(36) and 10(38) of the Act], are subject to tax at the rate of 20% on long-term capital gains worked out after considering indexation benefit (plus applicable surcharge and education cess), which would be restricted to 10% of Long-term capital gains worked out without considering indexation benefit (plus applicable surcharge and education cess).

6. As per the provisions of section 111A of the Act, Short-term Capital Gains arising to the Company from transfer of any listed Equity Shares in any other company or from sale of units of any equity oriented mutual fund defined in Section 10(38) of the Act, are subject to tax @ 10% (plus applicable surcharge and education cess), if such a transaction is subjected to Securities Transaction Tax.
  7. In accordance with and subject to the conditions specified in Section 54EC and Section 54ED of the Act, the Company would be entitled to exemption from tax on Long-term Capital Gain [not covered by section 10(36) and section 10(38) of the Act] if such capital gain is invested in any of the long-term specified assets (hereinafter referred to as the "new asset") to the extent and in the manner prescribed in the said sections. If the new asset is transferred or converted into money at any time within a period of three years in case of new assets specified in Section 54EC and within a period of one year in case of new assets specified in Section 54ED, from the date of its acquisition, the amount of capital gains for which exemption is availed earlier would become chargeable to tax as long term capital gains in the year in which such new asset is transferred or converted into money.
  8. As per the provisions of section 88E of the Act, where the business income of the Company includes profits and gains from sale of securities liable to Securities Transaction Tax, a rebate is allowable from the amount of income tax on such business income, to the extent of Securities Transaction Tax paid on such transaction. The amount of rebate shall, however, be limited to the amount of income tax arrived at by applying the average rate of income tax on such business income.
- B. To the Shareholders of the Company**
- I. Resident Shareholders**
    1. Under Section 10(34) of the Act, dividend (whether interim or final) received from a domestic company is exempt from tax in the hands of the resident shareholders of the Company.
    2. Under Section 10(38) of the Act, the Long-term Capital Gain arising on transfer of any listed equity shares in any other company or units of equity oriented mutual fund, which are chargeable to Securities Transaction Tax, are exempt from tax in the hands of the resident shareholders.
    3. As per the provisions of Section 112(1)(a) of the Act, other Long-term Capital Gains arising to the resident shareholders are subject to tax at the rate of 20% (plus applicable surcharge and education cess). However, as per Proviso to that section, the long-term capital gains resulting from transfer of listed securities or units [not covered by section 10(36) and 10(38) of the Act], are subject to tax at the rate of 20% on long term capital gains after considering the indexation benefit (plus applicable surcharge and education cess), which would be restricted to 10% of long term capital gains without considering the indexation benefit (plus applicable surcharge and education cess).
    4. As per the provisions of section 111A of the Act, Short-term Capital Gains arising to the resident shareholders from the transfer of any listed Equity Shares in a company or units of equity oriented mutual fund defined in section 10(38) of the Act, are subject to tax @ 10% (plus applicable surcharge and education cess) if such a transaction is subjected to Securities Transaction Tax.
    5. As per the provisions of section 88E of the Act, where the business income of an assessee includes profits and gains from sale of securities liable to Securities Transaction Tax, a rebate is allowable from the amount of income tax on such business income, to the extent of Securities Transaction Tax paid on such transactions. The amount of rebate shall, however, be limited to

the amount of income tax arrived at by applying the average rate of income tax on such business income.

- 6 In accordance with and subject to the conditions specified in Section 54EC and Section 54ED of the Act, the resident shareholders would be entitled to exemption from tax on Long-term Capital Gains [not covered by section 10(36) and section 10 (38) of the Act], if such capital gains are invested in any of the long-term specified assets (hereinafter referred to as the "new asset") to the extent and in the manner prescribed in the said sections. If the new asset is transferred or converted into money at any time within a period of three years in case of new assets specified in Section 54EC and within a period of one year in case of new assets specified in Section 54ED, from the date of its acquisition, the amount of capital gains for which exemption is availed earlier would become chargeable to tax as long term capital gains in the year in which such new asset is transferred or converted into money.
- 7 In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent provided in Section 54F of the Act, the shareholder is entitled to exemption from Long-term Capital Gains arising from the transfer of any long term capital asset, not being a residential house [not covered by sections 10 (36) and 10 (38) of the Act], if the net consideration is invested for purchase or construction of a residential house. If part of the net consideration is invested within the prescribed period in a residential house, such gains would not be chargeable to tax on a proportionate basis. If, such new residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains for which the exemption was availed earlier would be taxed as long-term capital gains of the year in which such residential house is transferred.

## II. Mutual Funds

In case of a shareholder being a Mutual fund, as per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India are exempt from income-tax, subject to the conditions notified by Central Government in this regard.

## III. Non-Resident / Non-Resident Indian Member

- 1 Dividend (both interim and final) income, if any, received by the nonresident/non-resident Indian shareholders from the domestic company shall be exempt under Section 10(34) read with Section 115-O of the Act.
- 2 Benefits outlined in Paragraph B(I) above are also available to a nonresident/non-resident Indian shareholder except that under first proviso to Section 48 of the Act, the capital gains arising on transfer of capital assets being shares of an Indian Company need to be computed by converting the cost of acquisition, expenditure in connection with such transfer and full value of the consideration received or accruing as a result of the transfer into the same foreign currency in which the shares were originally purchased. The resultant gains thereafter need to be reconverted into Indian currency. The conversion needs to be at the prescribed rates prevailing on dates stipulated. Further, the benefit of indexation is not available to non-resident shareholders.
- 3 Benefits outlined in Paragraph A(8) above are also applicable to the nonresident/non-resident Indian shareholder.
- 4 As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident/non-resident Indian shareholder. Thus, a non-resident/nonresident Indian shareholder can opt to be governed by the beneficial provisions of an applicable tax treaty.



5. Capital gains tax - Options available to a non-resident Indian under the Act: Non-resident Indian: As per Section 115C (e) of the Act, a 'non-resident Indian' means an individual, being a citizen of India or a person of Indian origin who is not a 'resident'. As per the Explanation to the said clause, a person shall be deemed to be of Indian origin if he, or either of his parents or any of his grand-parents, was born in undivided India.
6. Where shares have been subscribed in convertible foreign exchange, the nonresident Indians [as defined in section 115C (e) of the Act], being shareholders of an Indian company, have the option of being governed by the provisions of Chapter XII-A of the Act, which, inter alia, entitles them to the following benefits in respect of income from shares of an Indian company acquired, purchased or subscribed to in convertible foreign exchange:

As per the provisions of section 115D read with section 115E of the Act and subject to the conditions specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising on transfer of an Indian company's shares, will be subject to tax at the rate of 10 percent (plus applicable surcharge on tax and education cess on tax and surcharge), without indexation benefit.

As per the provisions of section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset (in cases not covered under section 10(38) of the Act) being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by

any expenditure incurred wholly and exclusively in connection with such transfer.

Further, if the specified asset or savings certificates in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.

As per the provisions of section 115G of the Act, non-resident Indians are not obliged to file a return of income under section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

Under section 115H of the Act, where the non-resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.

As per the provisions of section 115I of the Act, a non-resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

#### IV. Foreign Institutional Investors (FIIs)

1. Dividend (both interim and final) income, if any, received by the shareholder from the domestic company shall be exempt under Section 10(34) read with Section 115-O of the Act.



2. Capital gains Under Section 115AD, income (other than income by way of dividends referred in Section 115-O) received in respect of securities (other than units referred to in Section 115AB) shall be taxable at the rate of 20% (plus applicable surcharge on tax and education cess on tax and surcharge).

Under Section 115 AD, capital gains arising from transfer of securities (other than units referred to in Section 115AB) which are not exempt under Section 10(38), shall be taxable as follows:

Securities which are held for the period of upto or less than twelve months and where such transaction is chargeable to Securities Transaction Tax ("STT") levied under Chapter VII of the Finance (No. 2) Act of 2004, shall be taxable at the rate of 10% (plus applicable surcharge on tax and education cess on tax and surcharge). Securities other than those held for the period of upto or less than twelve months and where such transaction is not chargeable to STT levied under Chapter VII of the Finance (No. 2) Act of 2004, shall be taxable at the rate of 30% (plus applicable surcharge on tax and education cess on tax and surcharge);

Securities which are held for the period exceeding twelve months or more shall be taxable at the rate of 10% (plus applicable surcharge on tax and education cess on tax and surcharge). Such capital gains would be computed without giving effect of indexation as provided in the first and second proviso to Section 48. In other words, the benefit of indexation, as mentioned under the two provisos would not be allowed while computing the capital gains.

3. Long-term capital gains arising on transfer of equity shares in the Company, which is held for the period of more than twelve months or more and where such transaction is chargeable to STT, shall be exempt from tax under Section 10(38) of the Act.

4. Benefit of exemption under Section 54EC and 54ED shall be available as outlined in Paragraph B(1)(6) above.
5. Benefit as outlined in Paragraph A(8) above are also available to FIIs.
6. As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to then non-resident. Thus, a non-resident can opt to be governed by the beneficial provisions of an applicable tax treaty.

Note : There is a legal uncertainty over whether a FII can elect to be governed by the normal provisions of the Act, instead of the provisions of Section 115AD. Investors are advised to consult their tax advisors in this regard.

#### C. Benefits available under the Wealth Tax Act, 1957

'Asset' as defined under section 2(ea) of the Wealth Tax Act, 1957, does not include share in companies. Hence, the shares in companies are not liable to Wealth Tax.

#### D. Benefits available under the Gift Tax Act, 1958

Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of shares will not attract gift tax.

1. Notes: All the above benefits are as per the current tax law and will be available only to the first named holder in case the shares are held by joint holders. Shareholder is advised to consider in his/her/its own case, the tax implications of any new enactments which may change / modify the law.
2. In view of the nature of tax consequences, being based on all the facts, in totality, of the investors, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences.

#### IV. HISTORY

The Company was incorporated in the name and style of "LGB FORGE LIMITED" under the Companies Act, 1956 as Public Limited Company vide Certificate of Incorporation No. U27310TZ2006PLC012830 dated 07<sup>th</sup> June, 2006 issued by the Registrar of Companies, Coimbatore. The Registered Office of the Company is situated at 6/16/13, Krishnarayapuram Road, Ganapathy Post, Coimbatore - 641 006

Pursuant to the Scheme of Arrangement approved by the Hon'ble High Court of Madras vide its order dated 21st April, 2008 the entire business and assets of Forging unit of L.G.Balakrishnan & Bros Limited (Transferor Company) stand transferred to and vested in LGB Forge Limited (Transferee Company) w.e.f. 1st April, 2008.

#### MAIN OBJECTS OF THE COMPANY

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

9. To carry on the business of repairing and servicing including setting up service station networks in connection with the products so manufactured, assembled, repaired, imported, exported, traded and or otherwise dealt with by the company.
10. To buy, sell, exchange alter improve manipulate prepare for market or otherwise deal in all kinds of plants, machinery, apparatus, tools, substances, materials and things necessary or convenient for carrying on any of the above specified business or proceedings.

#### Change in Memorandum of Association since the Company's inception

S.No	Date	Particulars
1.	05.12.2007/EGM	Increase in Authorised Share Capital of the Company to Rs. 12,00,00,000
2.	30.04.2008/AGM	New clause (43) to (47) are inserted after the existing clause (42) of the Clause III (B) of the Memorandum of Association of the Company and deletion of existing clauses No.13, 14, 16 and 17 of clause III(C).
3.	30.04.2008/AGM	New set of Articles 1 to 54 was inserted after deleting the existing Articles 1 to 42

## V. BUSINESS

Plant Locations, and other details of business which is being transferred  
to the Company as per the Scheme

### Forging Plant

<b>Pillaippanpalayam (Hot Forging)</b> Pillaippanpalayam Village, Kumarapalayam Post, Coimbatore- 641 653	<b>Kondayampalayam (Cold Forging)</b> Pillayar Koil Street, Kottaipalayam Post, Coimbatore- 641 110
<b>Mysore Plant (Warm Forging)</b> Plot No 80 & 81, KRS Road, Metagalli Post, Mysore- 570 016,	

The Plant(s) has been set up by using state of the art technology.

## VI. PRODUCTS AND END USERS

Product	Principal Raw Material	Principal End User
Bells	CF 53	GKN Driveline
Claws	SAE 1006 & SAE 1008	Visteon, Denso, Valeo, Remy, Mico & Lucas Tvs.
Tulips	XC 45	GKN Driveline
Flanges	EN1A	Bosch
Body Starter Clutch	20 MNCR5	Varrac

After the Scheme becoming effective, the Company will be carrying on the same business of manufacturing and marketing of gear components.

**MANUFACTURING PROCESS**

Sawing / Chopping is the first stage of process wherein steel rods are cut into the required size of the Billets as per the customer requirements. After that Billets are transferred for Warm / Hot Forging or Cold Extrusions.

The Billets after chopping are heated in induction heater at a specified temperature and sent for forging. Forging is the process of beating metal by compressing it and making it flow into the desired shape of die in the Forging Press.

After forging the component goes for Normalizing / Hardening / Tempering which gives the components metallurgical structure as per the customer requirements.

Forged Blank after Normalizing is feeded to CNC Machine. CNC Machining contains two set up for each gear and shafts components. Through machining operations forging parts undergoes facing, turning and boring operations to get the desired geometry of the part.

After this operation, component is sent for Broaching / VMC / Hobbing / Shaping as required and then the component is sent for carburizing.

**RAW MATERIALS**

The principal raw materials used comprises of Steels.

**LAND, BUILDING AND PLANT & MACHINERY**

The Company's plants are located in Mysore & Coimbatore. The factory building consisting of total covered area of (Mysore 58750 Sq.ft, P Palayam 102460 Sq.Ft, and K Palayam 54420 Sq.Ft). The plants are constructed on industrial area consisting of 2.51 acres at Metagalli, Mysore, 29.55 acres at Pillaiappampalayam Post, Avinashi, Coimbatore and 8.92 acres at Kovil Palayam Post, Coimbatore.

The factory building comprises of production hall, raw material godown, finished goods godown, canteen, conference room, administrative block etc. The company has installed capacity of 21 nos. forging Lines.

**POWER, FUEL & UTILITIES**

The main source of power & the company is met through power distributed by the Tamilnadu Electricity Board (TNEB), and Karnataka Electricity Board. The power availability of each plant is given below.

Mysore	- 2100 KVA
P.Palayam	- 2250 KVA
K.Palayam	- 350 KVA.

In addition the Company has 3 DG sets of 500 and 250 KVA at P. Palayam and one 500 KVA at K. Palayam to meet the power requirements for the manufacturing requirements.

**WATER**

The water is required mainly for drinking purpose, which is met through Captive Tube Wells.



## MANPOWER REQUIREMENTS

The total employee strength of the Company as on 1st April, 2008

S.No	Description	Mysore	K.Palayam	P. Palayam	Total
1.	Production	178	180	116	474
2.	Marketing	6	4	3	13
3.	HR & Admin	6	4	4	14
4.	A/c & Finance	3	3	4	10
5.	Purchase	4	2	2	8
	<b>Total</b>	<b>197</b>	<b>193</b>	<b>129</b>	<b>519</b>

## EFFLUENT TREATMENT

Being an engineering industry there is no significant problem of industrial effluents. Effluent Treatment Plant is already in operation in at works for treating water of phosphating plant. There is no air or soil

pollution. The Company has obtained necessary No Objection Certificate from Tamilnadu Pollution Control Board.

## Subsidiaries

The Company has no Subsidiaries.

## VIII. MANAGEMENT OF THE COMPANY

S. No.	Name of Director	Age	Father's Name	Residential Address	Occupation
1.	Mr. B. Vijayakumar	55	L.G. Balakrishnan	28, Kamaraj Road Coimbatore - 641 018.	Industrialist
2.	Mr. P.S. Balasubramanian Managing Director	67	P. Subbiah	782, LGB Colony, Trichy Road, Ramanathapuram Coimbatore - 641 045.	Executive
3.	Smt. Rajsri Vijayakumar	27	B. Vijayakumar	20, GD Naidu Street, Race Course, Coimbatore - 641 018.	Industrialist
4.	Mr. P. Shanmugasundaram	60	M.R. Palanisamy	4/178, Green Lands Near Tansi, Covai Road Karur - 639 002.	Chartered Accountant
5.	Mr. P.V. Ramakrishnan	49	Venkatasamy	14/16C1, Sharp Nagar SITRA, Kalapatty Road, Coimbatore - 641 035.	Industrialist
6.	Mr. K.N.V.Ramani	77	Kodumudi Venkataramanan Narayanaswamy	"SURABI", 154, Kalidas Road Coimbatore - 641 009.	Advocate in Practice
7.	Mr. Harsha Lakshmikanth	31	Lakshmi Kanth	# GA Rain Tree Apartments # 16, Rhenius Street, Langford, Bangalore - 560 02	Business

The Brief Profile regarding the Board of Directors is as follows :

1	Name	Mr. B.Vijayakumar
	Age	55
	Qualification	B.Sc
	Position	Director
	Date of Appointment	07.06.2006
	PAN No.	ABTPV3639A

Mr. B. Vijayakumar is a Science graduate by education and Automobile Engineer by profession. He is son of Late Sri. L.G. Balakrishnan a renowned industrialist who was instrumental in developing the present image of ELGI Group He is the grand son of Late. Shri. G.D. Naidu, the famous scientist well known in the southern part of the country. He has been the Managing Director of L.G.Balakrishnan & Bros Limited since 1987 and he has been responsible for the development of the overseas market for the companies' products. He has played vital role in the growth of the organization to the present level. He is instrumental in taking major policy decision of the

Company. He is playing vital role in formulating business strategies and effective implementation of the same. He is holding other directorship in the following companies :

L.G.Balakrishnan & Bros Limited  
Elgi Equipments Limited.  
Super Spinning Mills Limited.  
Elgi Automotive Services Limited.  
L.G.B.Auto Products Limited.  
LG Farm Products Limited.  
LGB Fuel Systems (P) Limited.  
LGB Rolon Chain Limited  
Rolon Fine Blank Limited  
Veridis Tech India Pvt. Limited  
Coimbatore Private Industrial Estate Limited.  
Super Speeds (P) Limited.  
Super Transports (P) Limited.  
LG Sports Limited.

2	Name	Mr. P.S.Balasubramanian
	Age	67
	Qualification	BE
	Position	Managing Director
	Date of Appointment	07.06.2006
	PAN No.	ABEPB2034L

An Engineer by qualification and having wide experience in Operations, Marketing and Senior Management positions. He has been in the service of the Promoter Company for a period of 41 years in various capacities and having extensive knowledge in the industry. He has played a vital role in the growth of the organization. Currently he is the Managing Director of the Company. He is holding other directorship in the following companies :

LG Sports Limited.

LGB Rolon Chain Limited

Rolon Fine Blank Limited

3	Name	Smt. Rajsri Vijayakumar
	Age	27
	Qualification	BA (USA)
	Position	Director
	Date of Appointment	07.06.2006
	PAN No.	ADGPR4545J

She is holding other directorship in the following companies :

L.G.Balakrishnan & Bros Limited.

LGB Auto Products Limited.

Elgi Automotive Services Limited.

LG Farm Products Limited.

Rolon Fine Blank Limited

LGB Rolon Chain Limited

Super Transports Private Limited.

Silent Chain India Private Limited.

4	Name	Mr. P.Shanmugasundaram
	Age	60
	Qualification	B.Com., LLB., FCA
	Position	Director
	Date of Appointment	04.04.2008
	PAN No.	AAMPS2873D

He is a Chartered Accountant by profession. He is holding other directorship in the following companies :

L.G.Balakrishnan & Bros Limited

Sabare International Limited

DSM Soft Private Limited

L.G.B.Auto Products Limited.

Elgi Automotive Services Limited.

5	Name	Mr. P. V. Ramakrishnan
	Age	49
	Qualification	BE
	Position	Director
	Date of Appointment	04.04.2008
	PAN No.	ACQPR1387M

An Engineer by qualification and having wide experience in Operations, Marketing and Senior Management positions. He is holding other directorship in the following companies :

Mikrosen Control Private Limited

6	Name	Mr. K.N.V. Ramani
	Age	77
	Qualification	MA BL
	Position	Director
	Date of Appointment	29.01.2008
	PAN No.	ABQPR3244N

Mr. K.N.V Ramani, an Advocate by profession. He is holding other directorship in the following companies :

Bannari Amman Spinning Mills Limited

Sri Kannapiran Mills Limited

Sri Chamundeswari Sugars Limited

K.G. Denim Limited

KPR Mill Limited

Shiva Texyarn Limited

7	Name	Mr. Harsha Lakshmi Kanth
	Age	31
	Qualification	BE. MS
	Position	Director
	Date of Appointment	09.05.2008
	PAN No.	ACFPL2663P

He is holding other directorship in the following companies :

Placement.Com Private Limited

Head Hunters India Private Limited

#### COMPENSATION TO MANAGING DIRECTOR/ WHOLE TIME DIRECTORS

Mr. P.S. Balasubramanian has been appointed as Managing Director of the Company by the Board of Directors with effect from 01.04.2008 for a period of

3 years on the terms and conditions contained in the resolution passed at its meeting held on 04.04.2008 pursuant to the recommendations of the Remuneration Committee, in accordance with Section 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any of the Companies Act, 1956. The appointment and remuneration of Mr. P.S. Balasubramanian was subsequently approved by the shareholders at the Annual General Meeting held on 30.04.2008

The terms of his appointment are as follows:

- A. Basic Salary:** Rs. 1,60,000/- (Rupees One lakh sixty thousands only) per month (with an increase of Rs. 15,000/- per month on the first day of each financial year)

Other Allowance such as medical expenses, Vehicle Maintenance, Entertainment Expenses etc Rs. 34,000/- Contribution to Provident Fund as per the rules of the Company.

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 Managing 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.

## PROMOTERS AND THEIR BACKGROUND

### Details of Promoters companies

1. L.G.Balakrishnan & Bros Limited
2. L.G.B. Auto Products Limited
3. LG Farm Products Limited

4. LG Sports Limited
5. LGB Fuel systems Private Limited
6. LGB Rolon Chain Limited
7. Elgi Automotive Services Limited
8. Super Transports Private Limited
9. Silent Chain Indian Private Limited
10. Veridis Tech India Private Limited
11. Rolon fine Bank Limited
12. Super Speeds Private Limited

## CORPORATE GOVERNANCE

"Corporate Governance" refers to a combination of laws, regulations, procedures and practices that enable companies to attract financial and human capital, perform efficiently and thereby maximize long term value for shareholders, including society at large.

The essence of Corporate Governance lies in the phrase "Your Company". It is "Your" Company because it belongs to you, the shareholders. The Chairman and Directors are "Your" fiduciaries and trustees. Their objective is to take the business forward to maximize the long-term value/wealth

The provisions of the listing agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to the Company immediately upon the listing of its Equity Shares on the Stock Exchanges.

Mr. B. Vijayakumar is the non-executive Chairman of the Board. The Board of the Company comprising 7 Directors has 4 Independent Directors. The Board has also constituted the Audit Committee, Shareholders/Investors' Grievance Committee and Remuneration Committee as required under the Companies Act, 1956 and Clause 49 of the Listing Agreement as under:

Director	Category	Member of Audit Committee	Member of Shareholders/ Investors' Grievance Committee	Member of Remuneration Committee
Mr. B. Vijayakumar	Non Executive - Promoter	-	Member	-
Mr. P.S. Balasubramanian	Executive - Non Independent	-	Member	-
Smt. Rajsri Vijayakumar	Non Executive - Non Independent	Member	-	-
Mr. P. Shanmugasundaram	Independent	Chairman	-	Member
Mr. P.V. Ramakrishnan	Independent	Member	Chairman	Member
Mr. K.N.V. Ramani	Independent	-	-	Chairman
Mr. Harsha Lakshmi Kanth	Independent	-	-	-

**Change in Board of Directors of the Company since incorporation**

Sr. No.	Name of Director	Date of Appointment	Date of Cessation
1.	Mr. S. Sivakumar	07.06.2006	04.04.2008
2.	Mr. P. Prabakaran	31.07.2007	04.04.2008
3.	Mr. K.N.V. Ramani	29.01.2008	-
4.	Mr. P. Shanmugasundaram	04.04.2008	-
5.	Mr. P.V. Ramakrishnan	04.04.2008	-
6.	Mr. Harsha Lakshmi Kanth	09.05.2008	-

The role, powers, scope of functions and duties of the Audit Committee, Shareholders/Investors' Grievance Committee and Remuneration/Compensation Committee of the Board are as per the applicable provisions of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

**AUDIT COMMITTEE**

At Board Meeting held on 04.04.2008, Audit Committee was constituted.

**Committee Members:**

Name of Director	Position held in the Committee
Mr. P. Shanmugasundaram	Chairman
Smt. Rajsri Vijayakumar	Member
Mr. P.V. Ramakrishnan	Member

Audit Committee consists of all Non-Executive Directors with the majority of Independent Directors. Mr.P. Shanmugasundaram, the Chairman of the Committee, is a practicing Chartered Accountant.

***Functions of Audit Committee***

The functions of the Audit Committee include:

- ❖ Reviewing the quarterly, half-yearly and annual financial results before submission to the Board etc.;
- ❖ Recommending appointment of the Statutory Auditors and overseeing their work (including
- ❖ Resolving disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.
- ❖ Reviewing the adequacy of internal control systems and the Internal Audit Reports and their compliances thereof;
- ❖ Reviewing the disclosure of Company's financial information to ensure that the financial statements are correct, sufficient and credible;
- ❖ Reviewing the Company's financial and risk management policies;
- ❖ Review of Foreign Exchange Exposure.

**REMUNERATION COMMITTEE**

At Board Meeting held on 04.04.2008, Remuneration Committee was constituted.

**Committee Members:**

Name of Director	Position held in the Committee
Mr. K.N.V Ramani	Chairman
Mr. P. Shanmugasundaram	Member
Mr. P.V. Ramakrishnan	Member

Remuneration Committee consists of all Non-Executive Independent Directors Mr. Mr. K.N.V Ramani the Chairman of the Committee, is an Advocate

**SHAREHOLDERS' GRIEVANCE COMMITTEE**

At the Board Meeting held on 04.04.2008, Shareholders' Grievance Committee was constituted. This Committee primarily focuses on the shareholders' grievances and strengthening the investors' relations.

**Committee Members: Name & Designation of Compliance Officer**

Name of Director	Position held in the Committee
Mr. P.V. Ramakrishnan	Chairman
Mr. B. Vijayakumar	Member
Mr. P.S. Balasubramanian	Member

Mr. P. Manoj, Company Secretary is the Compliance Officer.

**Shareholding of Directors**

Sr. No.	Name of the Director	Number of Equity Shares held
1.	Mr. B.Vijayakumar	11632200
2.	Smt. Rajsri Vijayakumar	7597880
3.	Mr. P.S. Balasubramanian	35000

**Interest of the Directors**

The other than reimbursement of expenses incurred and normal remuneration from the Company as stated above, the directors of the Company have no other interest in the Company.

**Key Managerial Personnel**

As per the Scheme of Arrangement, all the employees of the transferor Company who are in its employment of the effective date of the scheme shall as from such date, become the employees of the transferee Company on the basis that their services have not been interrupted by the vesting of the undertaking of the transferor Company.

Accordingly details of Key Managerial Personnel being transferred from the transferor company are as follows:

Name	Age	Designation	Qualification	Total Experience (years)	Date of joining	Previous Employment
Mr. P. Sureshkumar	55	Sr. Vice President	B.E(Mech)	30	06.04.2006	MM Forge
Mr. R. Thirupathivasagam	47	General Manager (Technical)	BE - MBA	25	14.12.1988	GN Swamy Ind
Mr. PP. BHOWMIK	49	General Manager (Manufacturing)	Advance Diploma in Forging Tech	25	05.05.2008	Bharath Forge AmForge
Mr. K. LOKESHWAR	44	Deputy General Manager	B.E (Mech)	23	08.02.2008	Caparo Fastener
Mr. MAHESHBABU	37	Manager (Marketing)	B.E - MS	13	06.04.2000	Roots Industries
Mr. SUDIP BURMAN	42	Sr.Manager (Production)	Diploma in Forging Tech	20	15.05.2006	Apten Forgings

**Shareholding of the Key Managerial Personnel**

Sr. No.	Name	Number of Shares held	Equity Preference
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None of the key managerial personnel is holding shares in the Company.

**Bonus or Profit Sharing Plan for Key Managerial Personnel**

The bonus is payable as per the policy of the Company as applicable to all employees. There is no profit sharing plans.



## VIII. MANAGEMENT DISCUSSION & ANALYSIS OF THE FINANCIAL CONDITION AND RESULT OF OPERATIONS AS REFLECTED IN THE FINANCIAL STATEMENTS

### (a) AUTO COMPONENT INDUSTRY

The Indian economy performed better than expectations in 2007-08, with GDP growing in excess of 8 per cent. At around five per cent, inflation growth was contained well within the range projected in projected by the RBI' for 2007-08 and inflation expectations have remained firmly anchored. This has been reflected in the relative stability of long-term interest rates. Financial markets were generally stable during the year, adapting to the shift in liquidity conditions from surplus to deficit with considerable resilience. The improvement in industrial activity in 2007-08 was mainly due to acceleration of manufacturing growth from 8.1 per cent in the preceding year to 9.4 per cent. Sustained expansion in domestic as well as export demand, increased capacity utilization, augmentation of capacities and positive business and consumer confidence underpinned the strength of the manufacturing sector.

In urban India, lower taxes and good salary increments across sectors increased disposable income in the hands of consumers. A sizeable chunk of the GDP growth came from the service sector, which now contributes 54 per cent of the country's GDP. More significantly, the fastest growing segment in the service sector—information technology and IT enabled services—is being driven by youth.

This growing segment of the population offers a huge window of opportunity for the automobile industry, especially in emerging Tier 2 and Tier 3 cities spread over different corners of the country.

Overall, the auto industry clocked a 14% growth over the previous year. Good times in the automobile industry as far as volumes are concerned have been continuing and there are no signs of let up at least in the near future, given the trend of rising consumer incomes and relatively low penetration levels of automobiles. This 'feel-good' factor pervading the automobile industry has prompted several automakers to line

up fresh investments to ramp up their operational capacities.

### b) MANGEMENT PERCEPTION OF RISKS AND CONCERNS

International presence in the Indian Auto Component Market is gaining ground and product prices continue to reduce. The company proposes to address these risks by continuous product development, focused efforts to reduce costs, increase market share and by diversifying existing customer base with the addition of new strategic customers and enhancing the existing relationships.

### (c) PERFORMANCE

LGB Forge Limited was recently incorporated on 07<sup>th</sup> June, 2006 and it has completed its one year of operations.

### (d) FUTURE OUTLOOK

At present the Forging Plant of Transferor Company which has been demerged into the Transferee Company. This includes land, building, plant & machinery and the operational technology, indeed, a total operating undertaking.

The Scheme of Arrangement will provide a strong resource base and focussed business environment which would enable the Company to undertake expansion and growth of the business more rapidly and advantageously.

### (e) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has an adequate system of internal controls commensurate with the size and nature of business of the Company to ensure adequate protection of the Company's resources, provision of accurate and speedy financial statement and reports and compliance with the Company policies and procedures, and legal obligations.

The Company has a balanced organization structure, well-defined authority levels and set guidelines and rules for conducting business transactions and to promote ethical conduct.

The Company's Internal Auditors conduct audit to ensure adequacy of internal control systems, adherence to management instructions and policies and compliance with laws and regulations of the country. The Internal Audit Reports are circulated to the Management who initiates action where appropriate and the action taken reports of the management is considered and discussed by the Audit Committee.

**(f) DEVELOPMENT IN HUMAN RESOURCES**

Our employees are future, and the organization continues to develop the internal capabilities of its people through various training and development initiatives.

The Company continued with initiatives to develop its employees at professional and personal levels. A sizeable number of employees have undergone training that accord an opportunity to sharpen their skills, improve their performance and widen their perspective.

Company has also put in place a system of performance appraisal to ensure a direct link

between employees' performance and their variable pay as well as training needs. Company has a strong belief that to attract, retain and nurture the optimal talent, effective management of human capital is imperative and to that end, it consistently strives toward improvement in the standards of environment, occupational health and safety of all its employees as well as at the work place. This not only improves productivity but also provides a safe and healthy environment and an atmosphere of congeniality.

**CURRENCY OF PRESENTATION**

In this Information Memorandum all references to "Rupees" or "Rs." are to Indian Rupees, the legal currency of the Republic of India.

**DIVIDEND POLICY**

Dividend is intended to be declared based on the quantum and availability of future profits and will be disbursed based on shareholder approval based on the recommendation of the Board of Directors.

The Company has not paid any dividend in the past.

## IX. FINANCIAL INFORMATION OF LGB FORGE LIMITED

## AUDITORS' REPORT

## REPORT OF THE AUDITOR'S TO THE MEMBERS OF LGB FORGE LIMITED, COIMBATORE

We have audited the attached Balance Sheet of LGB FORGE LIMITED, Coimbatore, as at 31<sup>st</sup> March, 2008 for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the over all financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

- 1] We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- 2] In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books.
- 3] The Balance Sheet and the statement of Pre-Operative Expenses dealt with by this report are in agreement with the books of account.
- 4] In our opinion the Balance Sheet dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- 5] On the basis of the written representation received from the Directors, as on 31<sup>st</sup> March,

2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2008 from being appointed as a Director in terms of Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.

- 6] In our opinion and to the best of our information, and according to the explanations given to us, the said financial statements, read together with the attached schedules and notes forming part of accounts give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:

In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2008

## ANNEXURE TO AUDITORS' REPORT

1. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
2. During the year the company has neither granted nor taken any loans, secured or unsecured to / from companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956.
3. There are adequate internal control systems commensurate with the size of the company and the nature of its business. There are no major weaknesses in the internal control system.
4. In our opinion and according to the information and explanations given to us, the transactions that need to be required to be entered in the register maintained under section 301 of the companies Act, 1956 have been entered.
5. During the year, the company has not accepted deposits from public.
6. During the year the company has made preferential allotment of shares to the extent of Rs.20,520,000/- to parties and companies covered in the register maintained under section 301 of the companies Act, 1956.
7. According to the information and explanation given to us, and the books and records examined by us, there are no frauds on or by the Company that has been noticed or reported during the year.
8. The other clauses of the order are not applicable to the company.

**BALANCE SHEET AS AT 31st MARCH 2008**

Schedule	31.03.2008 Rs.	31.03.2007 Rs.
<b>SOURCE OF FUNDS:</b>		
<b>SHARE HOLDERS FUNDS:</b>		
Share Capital <b>A</b>	21,520,000	1,000,000
<b>Reserves and Surplus</b>		
Surplus in Profit and Loss Account	-	-
Loan Funds	-	-
<b>Total Capital Employed</b>	21,520,000	1,000,000
<b>APPLICATION OF FUNDS:</b>		
<b>FIXED ASSETS: B</b>		
Gross Block	-	966,491
Less : Depreciation	-	-
Net Block	-	966,491
<b>CURRENT ASSETS, LOANS &amp; ADVANCES:</b>		
Loans and Advances <b>C</b>	18,111,306	
Cash & Bank Balances <b>D</b>	114,971	19,449
	18,226,277	19,449
<b>CURRENT LIABILITIES &amp; PROVISIONS E</b>		
Liabilities	12,118	55,000
Provisions	160,000	-
	172,118	55,000
<b>NET CURRENT ASSETS</b>	18,054,159	(35,551)
<b>MISCELLANEOUS EXPENDITURE:</b>		
(To the Extent not Written off/adjusted)		
Pre-operative Expenses <b>F</b>	3,391,136	7,755
Preliminary Expenses	74,705	61,305
<b>Total</b>	21,520,000	1,000,000

(Schedule A to F, Significant Accounting Policies and Notes on Accounts form part of this Balance Sheet)

**ACCOUNTS FOR THE YEAR ENDED 31.03.2008**  
**SCHEDULE TO BALANCE SHEET SCHEDULE- F PRE-OPERATIVE STATEMENT**

Schedule	31.03.08 Rs.	31.03.2007 Rs.
<b>INCOME</b>		
Interest receipts (TDS Rs.111306)	491,199	-
Profit on Sale of Assets - Land	18,509	-
	509,708	-
<b>EXPENSES:</b>		
Audit Fees	6,000	5,000
Certification Fees	5,618	-
Bank Charges	2,979,900	1,440
Filing Fee	733,239	-
Printing & Stationery	8,332	1,315
	3,733,089	7,755
<b>Net Profit</b>	(3,223,381)	(7,755)
Add : Provision For Income Taxes	(160,000)	-
Pre-operative Expenses upto 31.03.07	(7,755)	-
Pre-operative Expenses upto 31.03.08		
Carried to Balance Sheet	(3,391,136)	(7,755)

**GROUP COMPANIES**

The details of other listed company in the Group are as under

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

**Date of Incorporation:**

LGB was incorporated on March 24, 1956.

Principal Business: LGB is engaged in the business of manufacturing Transmission Chains (for Automobile & Industrial), Metal Forming Fine Blanking and Forging.

**Shareholding Pattern of LGB as on 28th May, 2008**

Category	No. of Shares Held	% of Shareholding
A. Promoter	3,42,11,904	43.59
B. Public Shareholding	4,42,69,130	56.41
<b>Total</b>	7,84,81,034	100.00

**Capital Structure of LGB**

(Amount Rs. in Lakhs)

<b>Authorised Share Capital</b> 12,00,00,000 Equity Shares of Re.1/- each	1200.00
<b>Total</b>	1200.00
<b>Issued</b> 8,41,45,774 Equity shares of Re.1/- each	841.46
<b>Total</b>	841.46
<b>Subscribed &amp; Paid Up</b> 7,84,81,034 Equity Shares of Re.1/- each	784.81
<b>Total</b>	784.81

## Board of Directors of LGB:

S.No	Name of Directors	Particulars
1	Mr. L.G. Varadarajulu	Chairman
2	Mr. B. Vijayakumar	Managing Director
3	Mr. P. Balasubramanian	Director
4	Mr. C. Nachiappan	Director
5	Mr. S. Sivakumar	Director
6	Mr. V. Govindarajulu	Director
7	Mr. P. Shanmugasundaram	Director
8	Smt. Rajsri Vijayakumar	Director
9	Mr. P. Prabakaran	Executive Director
10	Mr. R. Vidhyashankar	Director

## Financial Performance of LGB

(Rs. in Lakhs)

Particulars	2004-05	2005-06	2006-07	2007-08
Sales & Other Income	37330.91	41942.96	48640.59	55283.31
PAT	1649.22	1359.42	2296.01	1486.16
Equity Capital	786.06	786.06	841.39	784.81
Reserves	7729.96	8784.65	12704.27	13699.51
EPS (Rs.)	2.10	1.73	2.76	1.84
Book Value(Rs.)	9.83	11.18	15.10	17.46

## Details of listing and Highest &amp; Lowest market price during the preceding six months:

Month	NSE		BSE	
	High	Low	High	Low
January - 2008	42.60	23.10	42.25	23.10
February - 2008	25.50	21.50	26.80	21.50
March - 2008	24.35	17.60	23.50	15.70
April - 2008	21.80	19.00	25.00	18.80
May - 2008	29.05	17.65	26.95	17.60
June - 2008	18.45	12.70	19.90	13.70

## High and Low prices of the shares of the LGB at NSE &amp; BSE during the preceding 3 years.

Year	NSE		BSE	
	High	Low	High	Low
2006	46.45	39.50	46.40	26.80
2007	40.75	19.00	43.30	20.45
2008	45.90	17.60	45.40	15.70



The details of un- listed Company in the Group are as under

Name	: L G B Auto Products Limited
Date of Incorporation	: 13.07.1948
Company Registration No	: U27105TN1948PLC002954
Address of ROC	: Registrar of Companies, Office of the Registrar of Companies Shastri BhavanHaddows Road,Chennai- 600 006
Principal Business	: The Company is engaged in the business of passenger bus transports, generation & distribution of Wind Energy
Name	: Super Transports Private Limited
Date of Incorporation	: 31.10.1983
Company Registration No	: U93090TN1983PTC010416
Address of ROC	: Registrar of Companies, Office of the Registrar of Companies Shastri BhavanHaddows Road,Chennai- 600 006
Principal Business	: The Company is engaged in Tyre Retreading, Oil & Lubricants Sales
Name	: Elgi Automotive Services Limited
Date of Incorporation	: 26.12.1970
Company Registration No	: U29130TZ1970PLC000612
Address of ROC	: Registrar of Companies Office of the Registrar of Companies Coimbatore Stock Exchange BuildingTrichy Road Coimbatore - 641005
Principal Business	: The Company is mainly engaged in Trading of Automobile parts, Sales & Services and in generation & distribution of Wind Energy
Name	: LG Farm Products Limited
Date of Incorporation	: 03.12.1980
Company Registration No	: U65993TZ1980PTC000990
Address of ROC	: Registrar of Companies Office of the Registrar of Companies Coimbatore Stock Exchange BuildingTrichy Road Coimbatore - 641005
Principal Business	: The Company is mainly engaged in Trading of Automobile parts and in Plantation Estate Operation
Name	: L G Sports Limited
Date of Incorporation	: 13.07.1984
Company Registration No	: U02919TZ1984PLC010691
Address of ROC	: Registrar of Companies Office of the Registrar of Companies Coimbatore Stock Exchange BuildingTrichy Road Coimbatore - 641005
Principal Business	: The company is engaged in conducting Motor Car Racing, Go-Kart, & other related sports activities

Name	:	LGB Rolon Chain Limited
Date of Incorporation	:	07.06.2006
Company Registration No	:	U34300TZ2006PLC012834
Address of ROC	:	Registrar of Companies Office of the Registrar of Companies Coimbatore Stock Exchange Building Trichy Road Coimbatore - 641005
Principal Business	:	Yet to commence its business activities
Name	:	Rolon Fine Blank Limited
Date of Incorporation	:	07.06.2006
Company Registration No	:	U34300TZ2006PLC012833
Address of ROC	:	Registrar of Companies Office of the Registrar of Companies Coimbatore Stock Exchange Building Trichy Road Coimbatore - 641005
Principal Business	:	Yet to commence its business activities
Name	:	LGB Fuel Systems Pvt Limited
Date of Incorporation	:	16.09.2004
Company Registration No	:	U34300TZ2004PTC011337
Address of ROC	:	Registrar of Companies Office of the Registrar of Companies Coimbatore Stock Exchange Building Trichy Road Coimbatore - 641005
Principal Business	:	The Company is engaged in Automobile parts, Sales & Services, Oil and Lubricants Sales
Name	:	Veridis Tech India Private Limited
Date of Incorporation	:	07.06.2006
Company Registration No	:	U72200TZ2006PTC012831
Address of ROC	:	Registrar of Companies Office of the Registrar of Companies Coimbatore Stock Exchange Building Trichy Road Coimbatore - 641005
Principal Business	:	The Company is engaged in Machining activities
Name	:	Super Speeds Private Limited
Date of Incorporation	:	29.12.1983
Company Registration No	:	U74999TZ1983PTC001370
Address of ROC	:	Registrar of Companies Office of the Registrar of Companies Coimbatore Stock Exchange Building Trichy Road Coimbatore - 641005
Principal Business	:	The Company is mainly engaged in Trading of Automobile parts, Sales & Services

Name	:	Silent Chain India Private Limited
Date of Incorporation	:	08.07.1981
Company Registration No	:	U29191TZ1981PTC001079
Address of ROC	:	Registrar of Companies Office of the Registrar of Companies Coimbatore Stock Exchange Building Trichy Road Coimbatore - 641005
Principal Business	:	The company is mainly engaged in Machining works on Job work basis

#### Mechanism of redressal of investor grievance

L.G.Balakrishnan & Bros Limited has constituted a Share Transfer and Shareholders/ Investors Grievance Committee which meets as and when required, to deal with matters relating to transfer/ transmission of shares and monitors redressal of complaints/grievances from shareholders relating to transfers, non receipt of balance sheet, non receipt of dividend declared, etc. Typically the investor grievances are dealt within a fortnight of receipt of the complaint from the investor.

## XI. OUTSTANDING LITIGATION, DEFAULTS AND MATERIAL DEVELOPMENTS

## PROMOTERS AND PROMOTING COMPANY

## PROMOTER

B. Vijayakumar

Nil

## PROMOTING COMPANY

L.G. BALAKRISHNAN &amp; BROS LTD

Sr. No.	Suit No.	Forum	Filed Against	Particulars	Quantum (in Rs. Lakhs )	Current Status
1.	2.	3.	4.	5.	6.	7.
1.	OS. No. 218/1999	Second Additional Subordinate Judge of Coimbatore	1. M/s. Gujarat Instruments Ltd., Ahmedabad. ("Defendant"). The Official Liquidator, High Court of Judicature, at Ahmedabad ("Liquidator")	The Company supplied three smoke analyzers and its accessories ("the Goods") to the Defendant. The Company filed this suit claiming compensation in connection with (i) the Defendant's failure to pay the entire purchase price of the Goods and (ii) the Defendant's failure to submit "Form C" to the Company. The Defendant went into liquidation proceedings and an official liquidator was appointed. Accordingly the Liquidator has been made a party to the suit.	7.99	Pending hearing and final disposal
2.	E.P.153/ 2004	Sub-Court Palakad	P. Balakrishnan, Proprietor, Devi Lubricants, Palakad ("the Defendant")	The Company has filed this execution application to recover the decretal amount by initiating a court auction of the Defendant's assets.	6.41	Pending hearing and final disposal The court has attached the property of the Defendant and has put up the same for auction. The Defendant has filed an objection in the court and Pending hearing and final disposal.

1.	2.	3.	4.	5.	6.	7.
3.	CS. No. / 2000	Madras High Court	Tamil Nadu Electricity Board. ("Defendant")	This suit has been filed for non payment of dues by the Defendant for supply of excess power, as has been utilized by the Defendant through their common grid.	63.58	Pending hearing and final disposal.
4.	WP. No. 32263/ 2002	Madras High Court Madras High Court Electricity Board.	1.The Chairman, Tamil Nadu Electricity Board 2.The Superintending Engineer, Coimbatore Electricity Distribution Circle. (Defendants)	The Company has filed this Writ Petition for restraining the Defendants from collecting tariff as specified in G.O.MS.29 dated January 31, 1995 by treating the Company's unit no.4 as New Industry and not as an expansion unit.	Nil (Amt not quantified). Question of classification	Pending hearing and final disposal.
5.	WP. No. 32339/ 2002		1.Junior Engineer, Tamil Nadu Electricity Board. 2.The Superintending Engineer. Tamil Nadu	The Company has filed a Writ Petition against the notice of the Electricity Board stating the unit is not an industry and the therefore liable to be charged with higher electricity tariff (Tariff V). The Court has granted interim stay subject to the Company depositing 25% of the amount claimed by way of arrears to pay charges under Tariff V in future.	0.51	Pending final disposal

#### B. Proceedings filed against the Company . (Civil):

1.	CS. No.	City Civil Court,	M/s. Ashok Land Development Corporation, Ahmedabad.	The Plaintiff entered an agreement to sell the office premises to the Company. The Company defaulted in its obligations in this regard and the Plaintiff has consequently filed a suit for  (a) forfeiture of the amount paid by the Company for booking the office premises	1.41	Pending hearing and
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**B. Proceedings filed against the Company . (Civil) (Contd):**

1.	2.	3.	4.	5.	6.	7.
2.	CS. No. 722/92	City Civil Court, Ahmedabad	M/s. Ashok Land Development Corporation, Ahmedabad. ("Plaintiff")	The Plaintiff entered an agreement to sell office premises in their building, Nanalal Chambers to the Company. The Plaintiff has filed a civil suit against the Company and the Group Company for unauthorized storage of their goods in the courtyard of the said building, to which the agreement did not entitle them.	17.77	Pending hearing and final disposal

**C. Proceedings filed by the Company (Labour related):**

1.	CMA (M.D)189 to 193/2004	Madurai Bench of Madras High Court	The Regional Director, Employees State Insurance Corporation Chennai ("Respondent").	The High Court has passed a temporary stay on all proceedings and judgment and decree made in certain matters by the Employee State Insurance Corporation Chennai till the disposal of this matter.	0.78	Pending hearing and final disposal
2.	CMA No. 387/ 2003	High Court of Madras.	1.K. Kandaswamy ("Respondent") 2. V. Rathinam Engineer-cum-Contractor, Karur. ("Contractor")	The Respondent claimed a compensation for the fracture that he had incurred while dismantling the Industrial Shed. The Trichy Labour Court upheld his petition and awarded compensation. Aggrieved by the order of the Labour Court, the Company filed a Writ Petition in the High Court, Madras for obtaining an order of interim direction directing the Workmen Compensation Commissioner ("WCC"), Dindigul, to withhold the amount and not to disburse the amount deposited with the Workmen Compensation Commissioner and the Company further prayed that the Contractor was responsible for any such mis happenings.	7.83	The High Court has passed an interim direction directing the WCC not to disburse the amount deposited by the Company. Pending hearing and final disposal.

**D. Proceedings filed by the Company (Company Case):**

1.	CP No. 81 of 2008 under Sec 433e.	High Court New Delhi.	Delphi Automotive Systems Pvt Ltd, New Delhi	Company petition for winding up of Delphi on the grounds of their inability to pay the admitted debts to LGB. Pursuant to the interim order Delphi has paid to LGB Rs.13422589 subject to the outcome of the petition, for which LGB has issued Bank guarantee to the Registrar of the High court	134.23	Pending for admission Case is posted for Sep'2008.
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## E. Proceedings filed by the Company (Excise related):

1.	2.	3.	4.	5.	6.	7.
1.	WP 43327/2002	Madras High Court	<p>1. The Assistant Commissioner of Central Excise, Coimbatore II Division.</p> <p>2. The Commissioner of Central Excise (Appeals), Trichy.</p> <p>3. The Customs Excise and Gold (Control), Appellate Tribunal, Chennai. (Defendants)</p>	<p>The Company filed a classification list for their and claimed full exemption under Notification No. 71/68 dated 1.4.68. The Central Excise Department however sought to classify the product under T.I.68. The Company appealed before the Collector, Madras against such a classification and filed a fresh classification list for their goods under T.I.16 (A) But aggrieved by the Assistant Collector's order for provisional assessment, the Company went in appeal before the Collector (appeals) who rejected their appeal. The matter was decided against the Company by the Tribunal in 1993. The Company has thus filed the writ petition in the Madras High Court to stay the recovery of the amount demanded by the Central Excise Department.</p>	23.89	<p>The high court has granted interim stay till disposal of the writ petition. Pending hearing and final disposal.</p>
2	Dated 25.02.2006	Tribunal, Chennai	<p>Commissioner of Central Excise Department, Coimbatore. ("Defendants")</p>	<p>M/s B.E.Gelb Consultancy Service ("The Appellants") has authorized the Company to represent them in this matter. The Company has entered into an agreement with the Appellants whereby the latter shall provide technical know-how to the Company and in turn the Appellant would pay the technical know-how fees to the Company. However the Central Excise Department issued a notice stating that the Appellants rendered 'consulting engineer' services and therefore liable to pay service tax on the technical know-how fees. The Company has appealed to the Tribunal against the decision of the Assistant Commissioner along with a stay petition.</p>	5.07	<p>Pending hearing and final disposal.</p>

## F. Cases filed by the Company (Sales Tax related):

1.	2.	3.	4.	5.	6.	7.
1.	CS. No. 1425, 27, 28/2000	High Court, Madras.	1. The Tamil Nadu Taxation Special Tribunal, Chennai. 2. The Joint Commissioner (CT) (SMR), Chennai.) 3. The Assistant Commissioner (CT), Coimbatore. ("Respondents")	The Company has filed a writ petition to determine whether the income from the bus bodies supplied to the exporters could be exempt under section 5(3) of the Central Sales Tax Act, 1956.	1.14	Pending hearing and final disposal.
2.	O.S.No. 177/1995	Court of Subordinate Judge at Karur.	M/S. Ashok Leyland Ltd., Madras. ("Defendant")	The suit has been filed for reimbursement of sales tax paid by the Company to the sales tax authorities, in light of the Defendant's assurance, that no sales tax will be applicable for supply of bus bodies by the Company to the Defendant.	1.03	Pending hearing and final disposal.

## G. Show Case Notice Filed Against the Company (Excise related)

1.	C. No. IV/ 09/64 2005 STCDate:15/09/2005	Deputy Commissioner of Central Excise, Coimbatore	Central Excise Department, Coimbatore.	The Department has alleged that the Company has failed to pay the service tax on the service charges paid by them in foreign currency to M/s Gelb Consultancy Services, USA for the 'consulting engineering services' received; and failed to register themselves under service tax and failed to file the prescribed return	3.00	Pending hearing and final disposal.
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## H. Income Tax Appeals filed by the Company

1.	ITA 2745 MDS/2004 & ITA 3194 MDS/2004 Assessment Year 2001-2002	Income Tax Appellate Tribunal, Chennai. (ITAT)	Commissioner of Income Tax, Coimbatore(CIT) ("Defendant")	The Company appealed against the Defendant in confirming the interest from margin money deposited for the purpose of the business was not to be regarded as business income for the purpose of deduction under Section 80 HHC.	39.61	ITAT returned to Assessing Officer order dt. 19.04.2006
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## H. Income Tax Appeals filed by the Company (Contd)

1.	2.	3.	4.	5.	6.	7.
2.	<p>a) Appeal for the Assessment Year 2003-2004 ITA No. 2467/2006</p> <p>b) Departmental appeal ITA No. 31/MDS/2007 Assessment year 2003 - 2004</p>	<p>ITAT Chennai</p> <p>ITAT Chennai</p>	<p>Assistant Commissioner of Income Tax, Company IV (2) Coimbatore. ("Respondant")</p> <p>Assistant Commissioner of Income Tax, Company IV (2) Coimbatore. ("Appellant")</p>	<p>The Company appealed against the order for claiming Interest on Margin Money Deposits and Nabard Bonds and assessing them under the head "Income from other Sources as the interest income was in the nature of business income.</p> <p>The Department appealed against the order of CIT (Appeals) for the purpose of deduction under Section 80 HHC</p>	22.46	Pending hearing and final disposal.
3.	TCA / 346 / 2008 Year 1991-1992	High Court of Madras	Commissioner of Income Tax (Appeals). (CIT) ("Defendant")	Disallowance of Expenses	42.86	Pending hearing and final disposal.
4.	Department appeal before ITAT Chennai Asst. year 2004-05	ITAT Chennai	Commissioner of Income Tax, Coimbatore(CIT) ("Appellant")	Appeal against the Defendant in confirming the interest from margin money deposited for the purpose of the business was not to be regarded as business income for the purpose of deduction under Section 80 HHC.	18.27	Pending hearing and final disposal.

## XII. GOVERNMENT APPROVALS

The Company has all the necessary permissions and approvals from the Government and various Government agencies for the existing activities.

As per the Scheme of Arrangement the entire business of Forging unit of the transferor Company with all its approvals, permissions, benefits, rights, registrations, consents etc. is being transferred to the transferee Company which would be carried on by the transferee Company on a going concern basis. No further approvals from any Government authority/ Reserve Bank of India (RBI) are required by the Company to undertake the existing

activities, save and except those approvals, which may be required to be taken in the normal course of business from time to time.

The Central Government/ RBI accepts no responsibility for the financial soundness or correctness of the statements made in this Information Memorandum.

The major approvals/ permissions/ consents/ NOCs from Government and other agencies for conducting its present manufacturing activities at its plants are as under:

## DETAILS OF LICENCES/ APPROVAL FOR MANUFACTURING UNITS

## APPROVALS/ LICENCES

S. No.	License No. & Date	Authority	Purpose & Validity/Renewal
1	2841/SIA/IMO/2006 Dt. 25.05.2006	Secretariat For Industrial Assistance, Department of Industrial Policy Promoting, Ministry of Commerce & Industries Government of India	For manufacturing of finished and semi finised steel forging for Auto spares and Earth Moving implements
2	2841/SIA/IMO/2006 Dt. 25.05.2006	Secretariat For Industrial Assistance, Department of Industrial Policy Promoting, Ministry of Commerce & Industries Government of India	For manufacturing of finished and semi finised steel forging for Auto spares and Earth Moving implements
3	2840/SIA/IMO/2006 Dt. 25.05.2006	Secretariat For Industrial Assistance, Department of Industrial Policy Promoting, Ministry of Commerce & Industries Government of India	For manufacturing of Steering scomponents flanges
4	0049/SIA/IMO/2006 Dt. 11.12.2006	Secretariat For Industrial Assistance, Department of Industrial Policy Promoting, Ministry of Commerce & Industries Government of India	For manufacturing of finished and semi finised steel forging for Auto spares and Earth Moving implements
5.	CBE/CB11932	Deputy Chief Inspector of Factories Coimbatore	Valid upto 10th October 2008
6.	KS/CB11932	Deputy Chief Inspector of Factories Coimbatore	Valid upto 10th October 2008

**APPROVALS/ LICENCES (Contd.)**

S. No.	License No. & Date	Authority	Purpose & Validity/Renewal
7.	MYM - 850, 28.11.2007	Department of Factories & Boilers	Factory License Valid Upto - 31.12.2010
	<b>NOCs / CONSENTS / AUTHORISATIONS</b>		
8.	NO.64/KSPCB/EO (MYS)/AEO-2/MR/ INR NO.107456/ 07-08/1603 Dated 31.07.2007	KARNATAKA STATE POLLUTION CONTROL BOARD	CONSENT UNDER AIR (PREVENTION AND CONTROL OF POLLUTION ACT), 1981 Valid Upto 30.06.2008 Applied for Renewal
9.	NO.61/KSPCB/EO (MYS)/AEO-2/MR/ INR NO.107456/ 07-08/1602 Dated 31.07.2007	KARNATAKA STATE POLLUTION CONTROL BOARD	CONSENT FOR DISCHARGE OF SEWAGE EFFLUENT UNDER WATER (PREVENTION AND CONTROL OF POLLUTION ACT), 1974 Valid Upto 30.06.2008
10.	INR NO.216 KSPCB/ HWM/497 Dated 10.10.2005	KARNATAKA STATE POLLUTION CONTROL BOARD	AUTHORISATION FOR HANDLING HAZARDOUS WASTE (MANAGEMENT AND HANDLING) AMENDMENT RULES, 2003 Valid Upto 30.06.2008 Applied for Renewal

### XIII. OTHER REGULATORY DISCLOSURES

**Stock Market Data for Equity Shares of the Company**  
Equity Shares of the Company are not listed on any Stock Exchanges. The Company is seeking approval for listing of its shares through this Information Memorandum.

**Particulars Regarding Previous Public or Rights Issues during the Last Five Years**

The Company has not made any previous public or rights issue since it is recently incorporated Company. There is no issue of shares otherwise than for cash and there are no outstanding debentures and redeemable preference shares.

**Companies under the same Management**

There are no companies under the same management within the meaning of Section 370(1B) of the Companies Act, 1956 other than the ones disclosed elsewhere in the Information Memorandum.

**Disclosure on negative net worth/ winding up/ sick/ BIFR/ disassociation/ strike off from ROC**

There is no group company having a negative net working or under winding up or a sick company or under BIFR. Further, the Company has not disassociated from any company.



#### XIV.MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION OF LGB FORGE LIMITED

##### DEFINITIONS

- 3) In the interpretations of these Articles, unless repugnant to the subject or context:

"The Company" or "This Company" means "LGB FORGE LIMITED"

"The Act, means "The Companies Act, 1956" or any statutory modification or re enactment thereof.

"Gender" - Any masculine gender word wherever used include the feminine gender.

"Office" means the Registered Office of the Company.

"Persons" includes Corporations and Firms as well as individuals.

"Singular Number" - words referring to singular number includes, where the context admits or requires, the plural number and vice versa.

"SEBI" means the 'Securities Exchange Board of India'

"Security" means such security as may specified by the SEBI from time to time.

"Beneficial Owner" means a person or persons whose name is recorded as such with a depository.

Any word or expression defined in the Act shall, if not inconsistent with the subject or context, bear the same in these articles.

- 4)\*\* The Authorised share capital of the company is Rs.12,00,00,000/- (Rupees Twelve Crores) divided into 12,00,00,000 (Twelve Crores) equity shares of Re.1/-(Rupee One Only) each subject to be increased, decreased, consolidated, sub-divided or otherwise dealt with in accordance with the provisions of the Companies Act, 1956 and the statutory regulations for the time being in force in this regard, these shares will carry such preferential qualified or special rights privileges conferred on them from time to time by these regulations.

\* Articles 1 to 54 amended vide AGM Resolution dated 30.04.2008

\*\* Altered vide EGM Resolution dated 05-12-2007

- 5) The Company may alter the conditions of its Memorandum relating to Share Capital in any of the ways specified in Section 94 of the Act.
- 6) The minimum paid up share capital of the company shall be Rs.5,00,000/- or such other amount as may be stipulated by the government from time to time.

##### VOTING RIGHTS

- 7) No member shall exercise any voting right in respect of any shares registered in his name on which any calls or other sum presently payable by him have not been paid or in regard to which the Company has exercised any right of lien.

##### SHARES AND CERTIFICATES

- 8) Shares Certificates shall be issued in marketable lots and where share certificates are issued for either more or less than marketable lots, sub-division or consolidation into marketable lots should be done free of charge.
- 9) No fee will be charged for issue of new share certificates in replacement of those which are old, or worn out or where the cages on the reverse for recording transfers have been fully utilized and for registration.
- 10) Not withstanding anything contained in these articles, no application for subdivision of share or any other security into denominations less than marketable lot shall be accepted by the Board unless such sub division is required to be made to comply with a statutory provision or an order of a competent court of law or of request from a member to convert his holdings of odd lot shares into marketable lots, however, subject to verification of the company or such other circumstances as the Board may in its absolute discretion consider it necessary to do so.

## **LIMITATION OF TIME FOR ISSUE OF CERTIFICATES**

- 11) Every member shall be entitled, without payment, to one or more Certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the Directors so approve ( upon paying such fees as the Directors may from time to time determine ) to several certificates, each for one of more of such shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, subdivision consolidation or renewal of any of its shares as the case may be. Every Certificate of shares shall be under the seal of the Company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid up thereon and shall be in such form as the directors may prescribe or approve, provided that in respect of a share or shares held jointly by several persons, the company shall not be borne to issue more than one certificate and delivery of a certificate of shares to one of several joint holders shall be sufficient delivery to all such holder.

## **SHARE WARRANTS**

- 12) The bearer of a share Warrant shall be entitled, on surrendering the warrant for cancellation and paying such fee, to the Company as the Board of Directors may from time to time determine, to have his name entered, as a member in the Register of Members.

## **TERM OF ISSUE OF DEBENTURE**

- 13) Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending ( but not voting ) at the General Meeting, appointment of Directors and otherwise

Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.

## **CALLS ON SHARES**

- 14) The Board may from time to time make calls upon the Members in respect of any moneys unpaid on their shares (whether on account of the nominal value of the shares or by way of premium) and not made at fixed times by the conditions of allotment. Such calls shall be made on a uniform basis on all shares falling under the same class.
- 15) Any amount paid in advance of calls on any share may carry interest at such rate as the Board of Directors may from time to time fix but shall not have any right to dividend or participate in the profits.
- 16) If a sum called paid in respect of a share is not paid on or before the day appointed for the payment thereof, the holder(s) of the share, from whom the same is due, shall pay interest upon the sum from the day appointed for the payment thereof to the time of actual payment at such rate as may be determined by the board from time to time. However, the board shall be at liberty to waive payment of any such interest wholly or in part.

## **TRANSFER AND TRANSMISSION OF SHARES**

- 17) No fee will be charged for registration of transfer, for subdivision and/or consolidation of certificates into market value unit of trading.
- 18) The company will not decline to register or acknowledge any transfer of shares on the ground of the transferor being either alone or jointly with any other persons indebted to the company on any account.
- 19) Not more than three persons shall be registered as joint holders in respect of shares, debentures of the Company. The Instrument of transfer shall be in writing and all the provisions of Section 108 of the Act shall be complied with.

- 20) The Board of Directors or its committee shall have the right to insist on the production of legal heir ship certificate, probate, succession certificate or any other documents that it may deem fit before registering transmission of shares.

#### **NOMINATION OF SHARES**

- 21) Every holder of shares may at any time, nominate, in the manner prescribed by the Companies Act, 1956, person to whom his shares shall vest in the event of his death. Where the shares are held by more than one person jointly, the joint holders may together nominate a person to whom all the rights in the shares shall vest in the event of death of all the joint holders.

#### **BUY BACK OF SHARES**

- 22) The Company can purchase its own shares or other specified securities in the manner provided under the Act and on the terms and conditions, the Board of Directors deem fit and proper and subject to the proviso to Section 77A of the Companies Act, 1956.

#### **ISSUE OF WARRANTS**

- 23) The Company may issue warrants attaching a right to the holder to apply for Equity Shares and the Board of Directors may issue such warrants with terms and conditions and such rights and privileges annexed thereto as thought fit.

#### **ISSUE OF NON-VOTING SHARES**

- 24) The Company may issue Shares with non voting rights attached to them as may be permitted by law and the Board of Directors may issue such shares upon such terms and conditions and with such rights and privileges thereto as thought fit.

#### **LIEN OF SHARES**

- 25) The fully paid shares will be free from lien, while in the case of partly paid shares the Company's lien will be restricted to monies called or payable at a fixed time in respect of such shares.

- 26) The company shall not register any lien in respect of its shares, if the same is created by the shareholder in favour of a third party and the same is intimated to the company.

- 27) The Company will not forfeit unclaimed dividends before the claim becomes barred by law.

- 28) No person shall be given the option or right to call of shares except with the sanction of the Company in General Meeting.

#### **UNPAID OR UNCLAIMED DIVIDEND**

- 29) Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank called "Unpaid Dividend of LGB Forge Limited" and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.

Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for the period of seven years from the date of such transfer, shall be transferred by the company to the Investor Education and Protection Fund established by the Central Government. A claim to any money so transferred to the above fund may be preferred to the Central Government/Committee appointed by the Central Government by the Shareholders to whom the money is due.

No unclaimed or unpaid dividend shall be forfeited by the Board

#### **FURTHER ISSUE OF SHARES**

- 30) (1) Where at the time after the expiry of two years from the formation of the company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is

proposed to increase the subscribed capital of the company by allotment of further shares whether out of the unissued capital or out of the increased share capital then.

- (a) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion, as near as circumstances admit, to the capital paid up on those shares at the date.
  - (b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.
  - (c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause 1 (b) hereof shall contain a statement of this right. PROVIDED THAT the Directors may decline, without assigning any reasons to allot any shares to any person in whose favour any member may renounce the shares offered to him.
  - (d) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and of such person(s) as they may think, in their sole discretion, fit.
- (2) Notwithstanding anything contained in sub-clause (1) of article 30 thereof, the further shares aforesaid may be offered to any persons (whether, or not those

persons include the persons referred to in article 30 sub-clause (1) hereof) in any manner whatsoever.

- (a) If a special resolution to that effect is passed by the Company in General Meeting, or
  - (b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the Chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company.
- (3) Nothing in sub-clause (c) of (1) of article 30 hereof shall be deemed.
- (a) To extend the time within which the offer should be accepted; or
  - (b) To authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
- (4) Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:
- (i) To convert such debentures or loans into shares in the Company; or
  - (ii) To subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise).

**PROVIDED THAT** the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term.

- (a) Either has been approved by the Central Government before the issue of the debentures of the raising of the loans or is in conformity with the Rules, if any, made by that Government in this behalf; and
- (b) In the case of debentures of loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.

#### **SHARES AT THE DISPOSAL OF THE DIRECTORS**

- 31) Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium at a par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given

to any person or persons without the sanction of the Company in the General Meeting.

#### **BORROWING POWERS**

- 32) The Board of Directors of the Company may, from time to time at its discretion borrow, or secure the payment of, any sum or sums of moneys borrowed for the operations of the Company, however, subject to the proviso Section 293(1)(d) and other applicable provisions of the Companies Act, 1956.

#### **DELEGATION OF POWERS**

- 33) Subject to Section 292 of the Act or any modification thereof, the Board may delegate all or any of their powers to any one or more Directors jointly or severally or any other person at their discretion.

#### **DEMATERIALISATION OF SECURITIES**

- 34) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize its securities and to offer securities in a dematerialized form pursuant to the Depositories Act, 1996, or any other enactments in this regard and a depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.
- 35) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository be member of the company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a depository.
- 36) Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer or securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a company.

#### **NOMINEE DIRECTORS**

- 37) Any financial institution owned or sponsored by the Central or State Government or any public or local authority or Debenture Trustee(s)



shall be entitled to nominate a person as a Director of the company. Such entitlement can be exercised by such financial institution or authority or Debenture Trustee(s) from time to time but only and until the amount(s) granted by such financial institution or authority or Debenture Holders are not completely discharged. Such Director shall not be liable to retire, but shall ipso-facto vacate office immediately on the monies owing by the company to the financial institution/authority/ Debenture holder(s) are paid off.

### BOARD OF DIRECTORS

- 38) Unless other wise determined by the company in general meeting the minimum and maximum number of directors shall be three and twelve respectively (including nominee directors if any).
- 39) The first directors of the company shall be
  1. Mr. B. Vijayakumar
  2. Mr. P. S. Balasubramanian
  3. Mr. S. Sivakumar
  4. Ms. Rajsri Vijayakumar
- 40) The Directors may be appointed by resolution of the company in General Meeting. The Board may also appoint Additional directors in accordance with the provisions contained in regulation 72 of Table A.
- 41) The Board may appoint an Alternate Director, in accordance with the provisions of Section 313 of the Act.
- 42) No director shall be required to hold any qualification shares.
- 43) The Board may from time to time appoint one or more of the Director(s) to function as the Chairman/ Managing Director / Joint Managing Director/Whole time Director /Executive Director or any designation as it deems fit for such periods and on such remuneration whether by way of salary or commission or participation in profits or a combination of the above as it may think fit, subject to the provisions of the Act. The person so appointed shall not be subject to retirement by rotation.
- 44) The Managing Director (s) on appointment shall automatically have substantial powers of management of the company vested in him/ them. Such Managing Director (s) shall however, perform all the functions and shall exercise all the powers under the control, supervision and guidance of the Board of Directors of the company.
- 45) The whole time director(s) shall perform all the functions and shall exercise all the powers, which the board of Directors of the company may assign and entrust. He/they shall, however, function subject to the control, guidance of the Board and supervision of the Managing Director (s), if any.
- 46) Every Director including a nominee director shall be paid, by way of sitting fees any amount not exceeding the maximum ceiling prescribed under the Act, for every meeting of the Board or any Committee thereof attended by him.
- 47) With out prejudice to Article 49 herein, every Director who comes to the meeting shall in addition be entitled to receive all traveling / incidental expenses reasonably incurred for the purpose of attending the meeting of the Board or of any Committee thereof. In case of nominee directors, the expenses as well as the sitting fee referred to Article 49 shall be paid or reimbursed to the director or to the institution directly as per the instruction of the institution.
- 48) Subject to the provisions of the Act, the Board may give the Directors or any of them such remuneration by way of monthly payment or a specified percentage of the net profits of the company or a combination thereof for attending to the business and affairs of the company. The Board may also fix a minimum and/ or maximum limit wherever; the remuneration is based on a percentage of the net profits.

- 49) In addition to the above remuneration, the Board may give to any director a special remuneration for any particular work specially entrusted to him. The board may also give to the directors the benefits of provident fund, gratuity and other benefits as it may deem fit.
- 50) The remuneration provided in the aforesaid articles shall be in addition to the sitting payable to Director under Article 46.

#### THE SEAL

- 51) The Board shall provide for the safe custody of the seal.
- 52) The seal of the Company shall not be affixed to any instrument except by the authority of the resolution of the Board or of a committee of the Board authorized by it in that behalf, and except in the presence of at least one director and of the secretary or such other person as a Board may appoint for the purpose, and the Director and the Secretary as aforesaid shall sign every instrument to which the seal of the Company is so affixed in their presence.

#### INDEMNITY

- 53) Subject to the provisions of Section 201 of the Act, every Directors, Agents, Trustee, Auditor,

and other officer or servant of the Company, and his heirs, executors or administrators, shall be indemnified by the Company against all losses, costs, and expenses which any such officer or servant may incur or become liable to by reason of any contract entered into, or any act or thing done by him as such officer or servant, or any way in or about the discharge of his duties.

#### SECRECY

- 54) Every Director, Manager, Auditor, Trustee, Member of a Committee, Officer, Servant, Agent, Accountant or other person employed in this Business of the Company, if so required by the Directors before entering upon his duties, sign a declaration pledging himself to observe strict secrecy respecting all transactions of the Company with its Customers and the state of Accounts with individuals and in matters relating thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do by the directors or by any meeting or by a Court of Law and so far as may be necessary in order to comply with any requirements of Law.



**XVI. MATERIAL CONTRACTS AND DOCUMENTS**

- |   |  |    |   |
|---|--|----|---|
| 1 | Memorandum and Articles of Association of the Company  | 6  | Application made to BSE & NSE for listing of the securities.  |
| 2 | Certificate of Incorporation dated 07 <sup>th</sup> June, 2006.  | 7  | Copies of Agreement with National Securities Depository Ltd. (NSDL) dated 11.04.2008 and Central Depository Services (India) Ltd. (CDSL) dated 22.02. 2008. |
| 3 | Certificate of Commencement of Business dated 21 <sup>st</sup> June, 2006                                  | 8  | Copies of Consent letters from Auditors, Registrars.  |
| 4 | Scheme of Arrangement between L.G.Balakrishnan & Bros Limited. and LGB Forge Limited.                      | 9  | SEBI Letter bearing reference No. CFD/DIL/19(2)(b)/PB/RA/132016/2008 dated 16th July, 2008.   |
| 5 | Order dated 21.04.2008 of the Hon'ble High Court of Madras at Chennai approving the Scheme of Arrangement. | 10 | Annual Report 2007-08.  |

## XVII. DECLARATION

NO STATEMENT MADE IN THIS INFORMATION MEMORANDUM SHALL CONTRAVENGE ANY OF THE PROVISIONS OF THE COMPANIES ACT, 1956 AND THE RULES MADE THEREUNDER. ALL THE LEGAL REQUIREMENTS AS ALSO THE GUIDELINES INSTRUCTIONS, ETC., ISSUED BY SEBI, GOVERNMENT OR ANY OTHER COMPETENT AUTHORITY IN RESPECT OF LISTING OF SECURITIES HAVE BEEN DULY COMPLIED WITH.

Yours faithfully,

By the Order of the Board of Directors of  
**LGB FORGE LIMITED.**

**B. VIJAYAKUMAR**  
DIRECTOR

DATE: 21.07.2008



## **LGB FORGE LIMITED**

Registered Office

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