

ANNUAL REPORT 2008-2009



Lokesh Machines Limited

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BOARD OF DIRECTORS

MR. MULLAPUDI LOKESWARA RAO

Managing Director

MR. K. KRISHNA SWAMY

Director (Technical)

MR. B. KISHORE BABU

Executive Director

MR. M. SRIKRISHNA

Director (CNC Machines Division)

MR. M. SRINIVAS

Director

MR. B. R. MAHESH

Director

DR. Y. SATYANARAYANA

Director

MR. R. MOHAN REDDY

Director

STATUTORY COMMITTEES

Audit Committee

Mr. B. R. Mahesh

Chairman

Dr. Y. Satyanarayana

Member

Mr. R. Mohan Reddy

Member

Remuneration Committee

Dr. Y. Satyanarayana

Chairman

Mr. R. Mohan Reddy

Member

Mr. B. R. Mahesh

Member

Shareholders'/Investors' Grievance Committee

Mr. R. Mohan Reddy

Chairman

Mr. B. Kishore Babu

Member

Mr. M. Srikrishna

Member

Ms. A. Lalita Swarup

Company Secretary

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Balance Sheet Abstract

C O N T E N T S

BANKERS:

State Bank of Hyderabad

Punjab National Bank

State Bank of Indore

Barclays Bank PLC

IndusInd Bank Limited

AUDITORS

M/s. Brahmayya & Co.

Chartered Accountants

Flat No.403 & 404,

Golden Green Apartments,

Irrum Manzil Colony,

Hyderabad - 500 082.

INTERNAL AUDITORS

M. V. Narayana Reddy & Co.

Chartered Accountants

Ameerpet, Hyderabad.

Registered Office:

B-29, EEIE, Stage II, Balanagar, Hyderabad - 500 037.

(A.P.), India.

Works:

Temple Road, Bonthapally, Medak District, A.P.

B-25 & 36, EEIE, Stage II, Balanagar, Hyderabad, A.P.

Ravalkol Village, Medchal Mandal, Rangareddy Dist. A.P.

Plot No.41, IDA Balanagar, Hyderabad. A.P.

B-15 & 17, EEIE, Stage II, Balanagar, Hyderabad, A.P.

REGISTRARS & TRANSFER AGENTS

Karvy Computershare Private Limited

Karvy House, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500 0



NOTICE OF THE 25TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty Fifth Annual General Meeting of Lokesh Machines Limited will be held on Wednesday, on September 30, 2009 at 2.30 p.m. at Jubilee Hills International Centre, Near Jubilee Hills Check Post, Road No.14, Jubilee Hills, Hyderabad - 500 033 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March 2009 and the Profit and Loss Account for the year ended on that date together with the Reports of Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. R. Mohan Reddy, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. B. R. Mahesh who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

By Order of the Board
for Lokesh Machines Limited

A. LALITA SWARUP
Company Secretary

Report Junction.com

Place : Hyderabad

Date : August 22, 2009

NOTES

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy and vote instead of himself and such proxy need not be a member of the Company.
2. Proxies should be deposited at the Registered Office of the Company not less than Forty-Eight hours before the scheduled commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from September 23, 2009 to September 30, 2009, both days inclusive, on account of the Annual General Meeting.
4. Corporate Members are requested to submit a duly certified copy of the Board Resolution, pursuant to section 187 of the Companies Act, 1956, authorising their representative to attend and vote at the Annual General Meeting.
5. In terms of clause 49(IV)(G) of the Listing Agreement, brief Resumes of Mr. R. Mohan Reddy and Mr. B. R. Mahesh proposed to be reappointed are detailed below:

**Brief Resume of Directors proposed to be reappointed.**

(In terms of Clause 49 of the Listing Agreement)

Mr. R. Mohan Reddy (70 years) is a B.E. (Mechanical) and M.B.A. from Osmania University. He has wide experience as a business executive, having served several public sector undertakings like BHEL and APIDC in senior managerial positions. He was Managing Director of Allwyn Watches Ltd., from 1995 to 1997. After retirement from APIDC, he has been on the Board of Nelcast Ltd as an independent professional director. He is Chairman of both the Audit Committee and Shareholders' Grievance Committee of the Board of Nelcast Ltd.

Mr. R Mohan Reddy has been non-executive independent director of the Company and Chairman of Shareholders' Grievance Committee and member of Audit Committee of the Board.

He does not hold any shares in the Company.

Mr. B. R. Mahesh (56 years) is a Chartered Accountant with considerable experience in Practice and three decades of standing in the Profession. He worked as Partner & Associate of M/s. Sastri & Shah, Chartered Accountants, Madras and Hyderabad for a period of 12 years from 1976 to 1988. He is the Senior Partner of M/s. Mahesh, Virendra & Sriram, Chartered Accountants, Hyderabad, since 1988.

Mr. Mahesh has been a non executive independent director of the company, and has also been the Chairman of the Audit Committee of the Board.

His expertise in the fields of finance, accounts and taxation enriches the quality of deliberations at the Board and facilitates informed decision making at the Board level.

He does not hold any shares in the Company.



25TH REPORT OF THE BOARD OF DIRECTORS

Your Directors have pleasure in presenting the Twenty Fifth Annual Report together with the Audited Statement of Accounts for the financial year ended March 31, 2009.

FINANCIAL RESULTS

The Audited Balance Sheet of your Company as at March 31, 2009, the Profit & Loss Account for the year ended on that date and the report of the Auditors thereon are being circulated with this report. The salient features of the financial Results are as follows:

Rs. in Lakhs		
Particulars	2008-09	2007-08
Net Sales	7404.36	10939.10
Other Income	123.37	127.21
Total Income	7527.63	11066.31
Profit before Depreciation, Interest and Taxes	1631.45	3061.73
Depreciation	646.87	557.54
Profit before Interest and Taxes	984.58	2504.19
Interest and Finance Charges	880.92	638.43
Profit before Taxes	103.66	1865.76
Provision for Taxes	66.12	665.48
Profit after Taxes	37.54	1200.28

Your Company has not been immune to the impact of the global recession that was witnessed in the economy in general and the auto and engineering sectors in particular. Your company was able to sustain a reasonable performance in the first half of the year under review. However the impact of the recession was particularly severe during the second half, which witnessed a drying up of order books and suspension/ slowing down of delivery schedules for existing orders. The Net Sales decreased by 32.31%, and the Profit before Interest and Taxes fell by 60.68 % compared to the previous year. The Earnings per Share decreased from Rs.10.19 in the previous year to Rs.0.32.

A natural corollary of the above developments has been an increased pressure on the liquidity. Your Directors have been able to conclude a restructuring of the existing loans with the lenders entailing some reschedulement of repayments and conversion of SLC/Adhoc limits into working capital term loan. However, whether these measures alone will be adequate depends on how the market behaves in the short and medium term.

FUTURE OUTLOOK

There are some signs of turnaround during the first half of the current financial year. Your Directors are hopeful that the recovery will be sustained and their outlook of the future is one of cautious optimism.

AUDITORS' OBSERVATIONS

The serious cash crunch and the deployment of the available resources for the critical expenses for keeping the company afloat resulted in the income tax payments in arrears, as pointed out in Para 9 (b) of the Auditors' Report. The Board is making utmost efforts to clear the arrears at the earliest.

DIVIDEND

In view of the steep fall in profits and the cash crunch, the Board decided not to recommend any dividend for the year ended March 31, 2009.

DIRECTORS

Mr. R. Mohan Reddy and Mr. B. R. Mahesh, Directors retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. As required by clause 49 of the Listing Agreement with the Stock Exchange, brief resumes of Mr. R. Mohan Reddy and Mr. B. R. Mahesh are included in the Notice convening the Annual General Meeting.

Mr. V. Shankar, the IDBI Nominee to the Board, ceased to be director on withdrawal of nomination from August 2, 2008. Mr. Y. Venkata Rao, ceased to be director on resignation with effect from the October 31, 2008. Your Board records its deepest appreciation to the contributions made by Mr. V. Shankar and Mr. Y. Venkata Rao during their tenure as Directors of the company.

Mr. M. Srinivas resigned as whole-time director of the company with effect from October 31, 2008. He however continues in the Board as a non-executive director.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors of your Company confirm:

- I. That all applicable accounting standards have been followed in the preparation of annual accounts and that there are no material departures.
- II. That the directors selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at March 31, 2009 and of the profit of the Company for the year ended on that date.
- III. The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.



IV. That the Directors prepared the annual accounts on a going concern basis.

ADDITIONAL PARTICULARS

Particulars of conservation of energy, technology absorption and foreign exchange earnings and outgo as required under section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, is annexed as Annexure 'A' to this Report.

PARTICULARS OF EMPLOYEES

The details of employees as envisaged by Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is annexed as Annexure 'B' to this Report.

CORPORATE GOVERNANCE

A detailed report on Corporate Governance together with the Auditors' Certificate on its compliance is annexed as Annexure 'C'.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report is annexed as Annexure 'D' to this Report.

AUDITORS

M/s. Brahmayya & Co, Chartered Accountants, the auditors of the Company retire at the conclusion of this Annual General Meeting and are eligible for reappointment. Appropriate resolution is being proposed at the ensuing Annual General Meeting for the reappointment of the Auditors.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation of the support and co-operation extended by the State Bank of Hyderabad, State Bank of Indore, Punjab National Bank, Barclays Bank PLC and IndusInd Bank Limited.

Your Directors also wish to place on record their appreciation of the excellent enthusiastic support received from the team of dedicated employees in the activities of your Company.

On behalf of the Board

Place : Hyderabad
Date : 22nd August, 2009

B. Kishore Babu
Director

M. Lokeswara Rao
Managing Director

ANNEXURE 'A'

Disclosure of particulars with respect to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo as required under Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988 and forming part of the Report of the Board of Directors for the period ended 31st March, 2009.

Conservation of Energy

Your company is not a power intensive industry, and hence the scope for significant measures for conservation of energy is limited.

Technology Absorption, Research and Development

The in-house R & D activities of the company towards product and process developments have been continuing. The endeavor of the company has been to achieve higher efficiencies in the performance of its products through these efforts.

Research and Development (R & D)

1. Specific areas in which R & D carried out by the Company:

Designing of

- A. Plano Miller for Die & Mould Machining
- B. Horizontal Machining Centre-Job feed type

2. Benefits derived as a result of the above R & D:

Improving operational efficiency of machines produced by the Company.

3. Future plan of action:

Commercial production after efficacy and viability are established.

4. Expenditure on R & D:

(a) Capital : nil

(b) Recurring : 19.85 lacs

(c) Total: 19.85 lacs

(d) Total R & D expenditure as a percentage of total turnover: 0.27%

Foreign Exchange Earnings and Outgo

(i) Foreign Exchange Earnings : Rs.424.90 lacs

(ii) Foreign Exchange Outgo

For Capital Goods : Rs.58.88 lacs

For Components on FOB basis : Rs.497.46 lacs

Towards Foreign Travel : Rs.13.10 lacs



ANNEXURE 'B'

Statement of Particulars of Employees pursuant to Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Amendment Rules, 1976 and forming part of the Directors' Report for the year ended 31st March 2009.

Name	: Mr. M. Lokeswara Rao
Age	: 64
Qualification	: L.M.E.
Designation	: Managing Director
Date of commencement of employment	: 17-12-1983
No. of year of experience	: 39
Remuneration	: 24.09 Lakhs
Last employment held	: Hindustan Machines Tools Ltd.
Nature of employment	: As per the terms approved by the shareholders
Percentage of equity shares held in the company	: 9.32 %

Notes:

(Remuneration as shown above includes salary, contribution to provident and other funds, taxable value of perquisites and all expenses incurred by the company in providing amenities and benefits to the employees).

REPORT ON CORPORATE GOVERNANCE

ANNEXURE 'C'

(in compliance with Clause 49 of the Listing Agreement)

I. Company's Philosophy on Corporate Governance

Your Company believes that a strong code of Corporate Governance is not only desirable from the perspective of the owners and other stake holders of the company, but it goes a long way in promoting virtues of transparency as well as ethical way of doing business. Your Company's philosophy and approach towards Corporate Governance is to utilize it as an instrument in its quest for excellence.

II. Board of Directors

Your Board of Directors consists of 8 directors, 4 each being executive and non executive. Your Company does not have an Executive Chairman, and one of the non executive directors is usually elected as a Chairman of the Board Meetings. Three of the non executive directors are independent.

During the year under review, 6 Board Meetings were held on the following dates: May 28, 2008; June 29, 2008; July 31, 2008; October 31, 2008; December 12, 2008 and January 30, 2009.

The details of the attendance of the Directors at the Board Meetings are as follows:

Name of the Director	Attendance Particulars			No. of other Directorship and Committee Member-ships/Chairmanships		
	Board Meetings		Last AGM	Other Directorships (Public Companies)	Committee Memberships	Committee Chairmanships
	Held	Attended				
Mr. Lokeswara Rao Managing Director Promoter-Executive Director	06	06	Yes	02	Nil	Nil
Mr. B. Kishore Babu Promoter-Executive Director	06	06	Yes	02	01	Nil
Mr. M. Srinivas[^] Promoter-Non Executive Director	06	05	Yes	02	01	Nil
Mr. Srikrishna Promoter-Executive Director	06	06	No	Nil	Nil	Nil
Mr. K. Krishna Swamy Non Promoter Executive Director	06	05	Yes	Nil	Nil	Nil
Mr. B. R. Mahesh Independent Non Executive	06	06	Yes	Nil	Nil	Nil
Mr. V. Shankar[*] Independent Non Executive (Nominee of IDBI)	06	03	No	Nil	Nil	Nil
Mr. Y. Satyanarayana Independent Non Executive	06	06	No	Nil	Nil	Nil
Mr. R. Mohan Reddy Independent Non Executive	06	06	Yes	01	02	02
Mr. Y. Venkata Rao # Independent Non Executive	06	Nil	No	Nil	Nil	Nil

[^] Non-Executive Director w.e.f. October 31, 2008. ^{*} Ceased to be director on withdrawal of nomination w.e.f. August 2, 2008
[#] Resigned as Director w.e.f. October 31, 2008. ! Number of Directorships in other Companies excludes Directorships in Foreign Companies, Private Companies and companies under Section 25 of the Companies Act, 1956