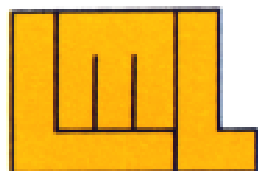


**ANNUAL REPORT
2009-2010**



**Lokesh
Machines Limited**

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BOARD OF DIRECTORS

Mr. M Lokeswara Rao	_____	Managing Director
Mr. K Krishna Swamy	_____	Director (Technical)
Mr. B Kishore Babu	_____	Executive Director
Mr. M Srikrishna	_____	Director (CNC Machine 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

Company Secretary

Ms. A. Lalita Swarup

BANKERS

State Bank of Hyderabad
Punjab National Bank
State Bank of Indore
Barclays Bank PLC
IndusInd Bank Limited

AUDITORS

M/s Brahmaya & 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

REGISTRARS & TRANSFER AGENTS

Karvy Computershare Private Limited.
Karvy House, 46, Avenue 4,
Street No: 1, Banjara Hills,
Hyderabad- 500 034

REGISTERED OFFICE

B-29, EEIE, Stage II
Balanagar
Hyderabad – 500 037 (A.P) India

WORKS

Temple Road, Bonhapally, Medak District, A. P.	B – 25 & 36, EEIE, Stage II, Balanagar, Hyderabad, A. P.	Ravalkol village, Medchal Mandal. Rangareddy Distt, A. P.	Plot No 41, IDA Balanagar, Hyderabad A. P.	B – 15 & 17, EEIE, Stage II, Balanagar, Hyderabad, A. P.
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NOTICE OF THE 26TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty Sixth Annual General Meeting of **Lokesh Machines Limited** will be held on Tuesday, September 28, 2010 at 10:30 a.m. at Jubilee Hills International Centre, Near Jubilee Hills Check Post, Road No. 14, Hyderabad-500 033 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at March 31, 2010 and the Profit and Loss Account for the year ended on that date together with the Reports of Directors' and Auditors' thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. K Krishna Swamy, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Dr. Y Satyanarayana who retires by rotation and is eligible for re-appointment.

In this connection, your company has received an intimation pursuant to Section 257(1) of the Companies Act, 1956 from a member signifying his intention to propose the following resolution:

"RESOLVED that Mr. M. Hariprasada Rao be and is hereby appointed as Director of the Company in place of Dr. Y Satyanarayana who retires by rotation at the Annual General Meeting, scheduled in September 2010."

This information to the members is given in accordance with the provisions of Section 257(1A) of the Companies Act, 1956. The member proposing the candidature has also forwarded the consent of Mr. M Hariprasada Rao to act as Director of the Company, if so appointed, as required by Section 264(1) of the Companies Act, 1956. The resume of Mr. M Hariprasada Rao as forwarded by the said member is also included in the notice.

5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED that pursuant to the provisions of Sections 198, 269, Schedule XIII and other applicable provisions of the Companies Act, 1956, if any, the reappointment of Mr. K. Krishna Swamy as Whole time Director for a period of five years with effect from 29th June, 2010 at a monthly remuneration of Rs. 45,000/- be and is hereby approved."

"FURTHER RESOLVED THAT the above remuneration be paid as minimum remuneration in the absence or inadequacy of profits in any year, provided the stipulations prescribed in Schedule XIII to the Companies Act, 1956 are fulfilled."

7. To consider and if thought fit, pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED that pursuant to the provisions of Sec. 198, 269, Schedule XIII and other applicable provisions of the Companies Act 1956, if any, the reappointment of Mr. M. Srikrishna as Whole-time Director of the Company, designated as Director (CNC Machine Division), for a period of 5 years w.e.f. 1st October 2010 at the following remuneration be and is hereby approved:

Salary: Rs. 1, 75,000 /- per month

Perquisites as follows:

Provident Fund: Company's contribution to the provident fund and Super Annuation Fund to the extent the same are not taxable under the Income Tax Act.

Gratuity of half month's salary for each completed year of service, subject to the ceilings as may be prescribed by the Income Tax Act from time to time.

Encashment of leave at the end of the tenure.”

“FURTHER RESOLVED THAT the above remuneration be paid as minimum remuneration in the absence or inadequacy of profits in any year, provided the stipulations prescribed in Schedule XIII to the Companies Act, 1956 are fulfilled.”

8. To consider and if thought fit, pass with or without modification the following resolution as an Ordinary Resolution:

“RESOLVED that pursuant to the provisions of Sec. 198, 269, Schedule XIII and other applicable provisions of the Companies Act 1956, if any, the reappointment of Mr. B. Kishore Babu as Executive Director of the Company, for a period of 5 years w.e.f. 1st October 2010 at the following remuneration be and is hereby approved:

Salary: Rs. 1,75,000 /- per month

Perquisites as follows:

Provident Fund: Company’s contribution to the provident fund and Super Annuation Fund to the extent the same are not taxable under the Income Tax Act.

Gratuity of half month’s salary for each completed year of service, subject to the ceilings as may be prescribed by the Income Tax Act from time to time.

Encashment of leave at the end of the tenure.”

“FURTHER RESOLVED THAT the above remuneration be paid as minimum remuneration in the absence or inadequacy of profits in any year, provided the stipulations prescribed in Schedule XIII to the Companies Act, 1956 are fulfilled.”

9. To consider and if thought fit, pass with or without modification the following resolution as a Special Resolution:

“RESOLVED that pursuant to the provisions of Sections 198, 269, Schedule XIII and other applicable provisions of the Companies Act 1956, if any, the reappointment of Mr. M. Lokeswara Rao as Managing Director for a period of five years with effect from 1st October 2010 at the following remuneration be and is hereby approved:

Salary: Rs. 3,50,000/- per month

Commission: 1% of the Net Profits calculated in terms of Sections 198, 349 and 350 of the Companies Act, 1956.

Perquisites as follows:

Provident Fund: Company’s contribution to the provident fund and Super Annuation Fund to the extent the same are not taxable under the Income Tax Act.

Gratuity of half month’s salary for each completed year of service, subject to the ceilings as may be prescribed by the Income Tax Act from time to time.

Encashment of leave at the end of the tenure.”

“FURTHER RESOLVED that the above remuneration be paid as minimum remuneration to Mr. M Lokeswara Rao in the absence or inadequacy of profits, to the extent permitted by the provisions of Para I(B) of Part II, Section II to Schedule XIII of the Companies Act, 1956, so however that the aggregate of the remuneration paid to all the directors including the commission shall not exceed the ceilings prescribed in section 309 of the Companies Act, 1956”

“FURTHER RESOLVED that the above remuneration be reviewed by the Committee after three years based on the growth and performance.”

By Order of the Board
for **LOKESH MACHINES LTD.,**

A. LALITA SWARUP
Company Secretary

Place: Hyderabad
Date: August 14, 2010.



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 21, 2010 to September 28, 2010, both days inclusive, on account of the Annual General Meeting.
4. The Dividend, when declared, will be payable to those shareholders whose names appear on the Register of Members on September 28, 2010. In respect of shares held in dematerialised form in the depository system, the dividend will be paid to the beneficial owner(s) as at the end of business hours on September 20, 2010 as per the list provided by the depositories for the purpose.
5. Shareholders are requested to immediately notify the REGISTRARS AND SHARE TRANSFER AGENTS or the DEPOSITORY PARTICIPANTS (in case of shares which have been dematerialised) of any change in their address and/or bank account details to ensure correct and prompt receipt of the Dividend Warrants.
6. 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.
7. In terms of clause 49(IV)(G) of the Listing Agreement, brief resumes of Directors 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. K. Krishna Swamy

Mr K Krishna Swamy (69) has Bachelor of Technology (Mechanical) degree under his belt. He has 44 years of vast experience in designing machines.

He started his career with HMT during 1964 and after a long stint in all its divisions, became the Chief Engineer in-charge of its design department during 1978 to 1983. Mr Krishna Swamy, during his stay at HMT had received training under experts in the Design field including Cross Company Inc., USA, the then collaborator of HMT. He has designed a number of machines, notable among them being Rotary Indexing Machines, Linear Transfer Machines, Line Boring Machines etc. based on deep knowledge in designing machines that suit the requirement of customers.

He has been an executive Director of the Company. He holds no other directorships or committee memberships in any other company. He holds 22,000 shares in the Company.

Dr. Y. Satyanarayana

Dr. Y Satyanarayana (69) is a mechanical engineer from Osmania University, and a Ph.D from Poona University. He was senior fulbright fellow at Havard Business School during 1976-78 for post doctoral work. He had a distinguished career in Andhra Pradesh State Road Transport Corporation (APSRTC). From a Trainee Engineer in 1960, he grew to the position of Executive Director of APSRTC.

After his retirement from APSRTC, was an Advisor on Energy, Environment, Urban Governance and Infrastructure in Administrative Staff College of India, Hyderabad.

Apart from having published over 30 papers in renowned management journals, he has also published four widely acclaimed books on transportation & management. He has been a recipient of a number of prestigious awards including "Best Engineer of the Year" Award of Federation of Andhra Pradesh Chamber of Commerce and Industry (FAPCCI) in 1984.

He has been the non-executive independent director of the Company and has also been the member of the Audit Committee of the Board. He holds no other directorships or committee memberships in any other company.

Mr. Satyanarayana does not hold any shares in the Company.

Mr. M. Srikrishna

Mr. M. Srikrishna (39) has 13 years experience in the field of Mechanical Engineering and has been with Lokesh Machines Limited for the past 13 years since completion of Bachelor of Engineering at Osmania University and has undergone training initially in the designs and manufacture of General Purpose Machines. He is presently heading the Computerised Numerical Control (CNC) Machines Division of Lokesh Machines Limited.

He has been the wholetime director of the Company and has also been the member of the Shareholders'/Investors' Grievance Committee of the Board. He is a director in Velzone (India) Private Limited.

Mr. M. Srikrishna holds 1109931 shares in the Company.

Mr. B. Kishore Babu

Mr. B Kishore Babu (54) is a Graduate Engineer with over 30 years experience in the field of Machine Tool Industry. He has started his career in Hindustan Machine Tools (HMT) as Trainee Engineer and later joined Lokesh Machines Ltd. as a Promoter. He has acquired all-round exposure and experience with various aspects of operations of the company right from shop floor, designs, planning, production, assembly, purchase and application engineering for the past 24 years. As Executive Director, he is the operational head for all the divisions.

He has been the executive director of the Company and has also been the member of the Shareholders'/Investors' Grievance Committee of the Board. He is a director in M.L.R.Motors Limited and MLR Auto Ltd.

Mr. B. Kishore Babu holds 807687 shares in the Company.

Mr. M. Lokeswara Rao

Mr. M Lokeswara Rao (65) is a technocrat with 40 years vast experience in the machine tool industry, promoted LML. He has started his career with KCP Limited in 1965 and after a brief period joined Hindustan Machine Tools Limited (HMT) in 1966. While working at HMT for almost a decade Mr. Rao has obtained a methodical understanding and insight of the machine tool industry. The insights into the machine tool industry supplemented with the entrepreneurial abilities prompted Mr. Rao to start LML. Mr. Rao with his sheer hard work coupled with managerial abilities built up a strong team and created good facilities.

Mr. Lokeswara Rao has been an active member of Indian Machine Tool Manufacturers' Association (IMTMA) for over a decade and served as a member of the Executive Committee for six years. He has served as Chairman of the Regional Council (South) of IMTMA and was the Vice President of the Association from 2007 to 2009. He was also the Vice President of the Auto Component Association in Hyderabad. Currently he is the President of Indian Machine Tool Manufacturers' Association.

He has been the Managing director of the Company. He is a Director in M.L.R. Motors Ltd., MLR Auto Ltd. and Lokesh Technologies Private Ltd.

Mr. M. Lokeswara Rao holds 652217 shares in the Company.

Mr. M Hariprasada Rao
(As furnished by the Member proposing his candidature)

Mr. M Hariprasada Rao is a B.Sc.(Physics) from Madras University., BS.(Electrical Engineering) and MS (Power Systems Engineering) from Illinois Institute of Technology, U.S.A. He was a recipient of McDonald gold medal from Madras University in 1951. He had special training in power systems planning and location of Atomic Power Stations from Central Electricity Generating Board of U.K. He worked in Advisory capacity with International Atomic Energy Agency in the fields of Nuclear Training and analysis of Nuclear Accidents; with Gujarat State Electricity Board in thermal power stations operation; Ministry of Power,Tamilnadu Government in Energy Problems. He has held several Advisory Positions including Board Member of Nuclear Power Board (D.A.E.)

He retired as a Director of Nuclear Power Board, in charge of Design, Procurement, Construction



and Operation of all 235 Mw Nuclear Power Stations of D.A.E. He has several international special papers, to his credit. He is a Fellow of the Institution of Engineers, India and of the Indian Nuclear Society.

He holds fraternity memberships in All Engineering Professional Fraternity of U.S.A. and Electrical Engineering Fraternity of U.S.A.

He was awarded the Sanjay Gandhi National Award in 1983 for contribution to Science & Technology in India & Padma Shree in 1984 for Individual Contribution to Nuclear Power.

He was the founding Managing Director of MHP Associates, Chennai and was the Chairperson of Hindustan Magnetic Limited. He is currently the Director of Sree Jayajothi Cements Limited.

He does not hold any shares in the Company.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 6

The Board of Directors have re-appointed Mr. K. Krishna Swamy as Wholetime Director for a period of 5 years from 29th June, 2010. Further, as per the recommendation of the Remuneration Committee, and as prescribed in Schedule XIII of the Companies Act, 1956, the remuneration of Mr. Krishna Swamy has been fixed for a period of five years at an aggregate of Rs.45,000/- per month as detailed in the resolution. A brief profile of the director is as given elsewhere in the notice.

According to Section 269 of the Companies Act, 1956, read with Schedule-XIII to the said Act, the reappointment of Wholetime Director requires the approval of the shareholders in General Meeting.

Your Directors recommend that the resolution be passed as an ordinary resolution. None of the Directors except Mr. K. Krishna Swamy, is interested in the proposed resolution.

The Explanatory Statement together with the accompanying notice may also be regarded as an abstract of the terms of appointment of Mr. Krishna Swamy, Wholetime Director of the Company and Memorandum of interest of Directors u/s. 302 of the Companies Act, 1956.

ITEM NO. 7:

Mr. M Srikrishna's tenure as Wholetime Director (CNC Machine Division) ends on September 30, 2010. At its meeting held on August 14, 2010, the Board of Directors have reappointed him for a period of 5 years with effect from 1st October, 2010. Further, as per the recommendation of the Remuneration Committee, and as prescribed in Schedule XIII of the Companies Act, 1956, the remuneration of Mr. Srikrishna has been fixed for a period of five years at an aggregate of Rs.1,75,000/- per month plus perquisites as detailed in the resolution. A brief profile of the director is as given elsewhere in the notice.

According to Section 269 of the Companies Act, 1956, read with Schedule-XIII to the said Act, the reappointment of Wholetime Director requires the approval of the shareholders in General Meeting.

Your Directors recommend that the resolution be passed as an ordinary resolution. None of the Directors except Mr. M. Srikrishna himself, Mr. M. Srinivas as his brother and Mr. M. Lokeswara Rao as father are interested in the proposed resolution.

The Explanatory Statement together with the accompanying notice may also be regarded as an abstract of the terms of appointment of Mr. M. Srikrishna, Wholetime Director (CNC Machine Division) of the Company and Memorandum of interest of Directors u/s. 302 of the Companies Act, 1956.

ITEM NO. 8:

Mr. B Kishore Babu's tenure as Executive Director of the company ends on September 30, 2010. At its meeting held on August 14, 2010, the Board of Directors have reappointed him for a period of 5 years with

effect from 1st October, 2010. Further, as per the recommendation of the Remuneration Committee, and as prescribed in Schedule XIII of the Companies Act, 1956, the remuneration of Mr. Kishore Babu has been fixed for a period of five years at an aggregate of Rs.1,75,000/- per month plus perquisites as detailed in the resolution. A brief profile of the director is as given elsewhere in the notice.

According to Section 269 of the Companies Act, 1956, read with Schedule-XIII to the said Act, the reappointment of Executive Director requires the approval of the shareholders in General Meeting.

Your Directors recommend that the resolution be passed as an ordinary resolution. None of the Directors except Mr. B. Kishore Babu himself is interested in the proposed resolution.

The Explanatory Statement together with the accompanying notice may also be regarded as an abstract of the terms of appointment of Mr. B. Kishore Babu, as Executive Director of the Company and Memorandum of interest of Directors u/s. 302 of the Companies Act, 1956.

ITEM NO. 9:

At its meeting held on August 14, 2010, the Board of Directors have re-appointed Mr. M. Lokeswara Rao as Managing Director for a period of 5 years from 1st October, 2010. Further, as per the recommendation of the Remuneration Committee, and as prescribed in Schedule XIII of the Companies Act, 1956, the remuneration of Mr. Lokeswara Rao has been fixed for a period of three years at an aggregate of Rs.3.5 lakhs per month plus a commission of 1% on net profits and perquisites as detailed in the resolution. A brief profile of Mr. Lokeswara Rao is as given elsewhere in the notice.

According to Section 269 of the Companies Act, 1956, read with Para I (B), Part II, Section II of Schedule-XIII to the said Act, the reappointment of Managing Director requires the approval of the shareholders in General Meeting by way of a special resolution.

The information as required under Schedule XIII to the Companies Act, 1956 is as under:-

I. GENERAL INFORMATION:

- (1) Nature of Industry: Manufacture of Machine Tools & Auto Components
- (2) Commencement of commercial operation: 1986 onwards.
- (3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not Applicable.
- (4) Financial Performance: (Rs. in Lakhs)

Financial Parameters	2005-06	2006-07	2007-08	2008-09	2009-10
Turnover	7798.74	8961.67	10939.10	7404.36	9682.90
Net Profit (as computed u/s. 198)	1408.25	1769.33	1960.62	172.26	707.20
Net profit as per profit and loss account	823.01	1069.51	1200.28	37.54	404.63
Amount of dividend paid	205.55	294.44	294.44	Nil	NA
Rate of dividend declared	20%	25%	25%	Nil	10%*

* recommended by the Board

- (5) **Export performance and net foreign Collaborations:** Exports of Rs.353.92 lakhs for the financial year 2009-10.
- (6) **Foreign investments or collaborators, if any:** NIL

INFORMATION ABOUT THE APPOINTEE:

- (1) Background Details - Mr. M Lokeswara Rao (65 years) is a Technocrat having Diploma in L.M.E with 40 years of vast experience in the machine tool industry. He had served a decade in Hindustan Machine



Tools. His business acumen plays a dynamic role in the company's foray and helps it to focus on strategic areas.

(2) Past remuneration:

Year	Total Remuneration (Rs.)
2007-08	Rs. 43.70 lakhs
2008-09	Rs. 24.09 lakhs
2009-10	Rs. 31.16 lakhs

- (3) **Recognition or awards:** Mr. M Lokeswara Rao had been a Member of Indian Machine Tool Manufacturer's Association (IMTMA). Currently he is the President of IMTMA.
- (4) **Job profile and his suitability:** Mr. M Lokeswara Rao after having served a decade in Hindustan Machine Tools, wherein he gained methodical understanding and insight, promoted Lokesh Machines Limited. Considering his 40 years of vast experience in machine tool industry and performance, Mr. Lokeswara Rao has been considered for re-appointment for the position of Managing Director for a further period of five years with effect from October 1, 2010.
- (5) **Remuneration proposed:** as set out in the resolution for the item no. 9. The remuneration to Managing Director has the approval of the Remuneration Committee and Board of Directors.
- (6) **Comparative remuneration profile** with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin) - Taking into consideration the size of the Company, the profile of Mr. M. Lokeswara Rao, the responsibilities shouldered by him, the aforesaid remuneration package is commensurate with the remuneration package paid to managerial position in other Companies.
- (7) **Pecuniary relationship** directly or indirectly with the company, or relationship with managerial personnel, if any - Mr. M. Lokeswara Rao is the founder director and Managing Director of the company. Besides, the remuneration proposed, and his investment in 652217 equity share capital of the company, Mr. Lokeswara Rao does not have any other pecuniary relationship with the Company.

Mr. M Lokeswara Rao is related as father to Mr. M. Srinivas, Director and Mr. M. Srikrishna, Whole-time Director of the Company.

Other Information:

- | | |
|---|----------------|
| (1) Reason for inadequate profits | Not Applicable |
| (2) Steps taken or proposed to be taken for improvement | Not Applicable |
| (3) Expected increase in productivity and profits in measurable terms | Not Applicable |

Your Directors recommend that the resolution be passed as a special resolution. None of the Directors except Mr. Lokeswara Rao himself and his sons -Mr. M Srikrishna and Mr M Srinivas - are interested in the proposed resolution.

The Explanatory Statement together with the accompanying notice may also be regarded as an abstract of the terms of appointment of Mr. M. Lokeswara Rao, Managing Director of the Company and Memorandum of interest of Directors u/s. 302 of the Companies Act, 1956.