ANNUAL REPORT
2010-2011

Lokesh
Machines Limited

Lokesh Machines Limited

BOARD OF DIRECTORS

Mr. M Lokeswara Rao	———	Managing Director
Mr. K Krishna Swamy	———	Whole Time Director (Technical)
Mr. B Kishore Babu	———	Executive Director
Mr. M Srikrishna	———	Whole Time Director (CNC Machine Division)
Mr. M Srinivas	———	Director
Mr. B R Mahesh	———	Director
Mr. R Mohan Reddy	———	Director
Mr. M Hariprasada Rao	———	Director
Smt. Bhavana Rao	———	Director

STATUTORY COMMITTEES

Audit Committee

Mr. B R Mahesh - Chairman
Mr. R Mohan Reddy - Member
Mr. M. Srinivas - Member

Remuneration Committee

Mr. M. Hariprasada Rao - 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
Mr. K. Durgadas Maiya

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

REGISTRARS & TRANSFER AGENTS

Karvy Computershare Private Limited.
Plot No 17 to 24, Vittal Rao Nagar,
Madhapur, Hyderabad - 500 081
Ph : +91-40 44655000
Fax : +91 40 23420814

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 Distt, A. P.	Plot No 41, IDA Balanagar, Hyderabad A. P.	*B – 15 & 17, EEIE, Stage II, Balanagar, Hyderabad, A. P.*	*Plot No D260/1 Ranjangaon Industrial Area, MIDC, Shirur, Pune, Maharashtra*

CONTENTS

NOTICE OF THE 27TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty Seventh Annual General Meeting of Lokesh Machines Limited will be held on Friday on September 30, 2011 at 4.30 p.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, 2011 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 on equity shares of the company.
3. To appoint a Director in place of Mr. M Srinivas, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. M Srikrishna who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s. Brahmayya & Co, Chartered Accountants, the retiring auditors as Statutory Auditors of the Company, who shall hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

6. **Increase in the Authorised Share Capital and Alteration of Memorandum of Association of the Company**

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

   "RESOLVED THAT pursuant to the provisions of Section 16, 94 and all other applicable provisions, if any of the Companies Act, 1956, the Authorised Share Capital of the Company be and is hereby increased from Rs. 12,50,00,000/- (Rupees Twelve Crores Fifty Lakhs Only) divided into 1,25,00,000/ - (One Crore Twenty Five Lakhs Only) Equity Shares of Rs. 10/- (Rupees Ten each) to Rs.17,50,00,000/ - (Rupees Seventeen Crores Fifty Lakhs Only) divided into 1,75,00,000 (One Crore Seventy Five Lakhs only) Equity Shares of Rs.10/- (Rupees Ten each) with the power to the Board to decide on the extent of variation in such rights and to classify and reclassify from time to time such shares into any class of shares.

   RESOLVED FURTHER THAT the Memorandum of Association of the Company be and is hereby altered by substituting the existing Clause V as under:

'V. The Authorised Share Capital of the Company is Rs. 17,50,00,000/- (Rupees Seventeen Crores Fifty Lakhs only) divided into 1,75,00,000 (One Crore Seventy Five Lakhs only) Equity Shares of Rs.10/- (Rupees Ten each).The Share Capital of the Company may be sub-divided, consolidated or divided into such classes of shares as may be allowed under the law for the time being in force with such privileges or rights as may be attached and to be held upon such terms as may be prescribed by the Articles of Association of the Company.

   RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and are hereby authorised to take all such steps and actions and give such directions as may be in its absolute discretion deem necessary and to settle any question that may arise in this regard."

7. **Increase in the Borrowing Limits**

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

   "RESOLVED THAT pursuant to clause(d) of sub section (1) of section 293 of the Companies Act, 1956 and all other applicable provisions, if any of the Act, in supersession of earlier resolution passed on 30-09-2004, consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowings up to a sum not exceeding Rs.100 Crores not withstanding that the money's to be borrowed together with the money already borrowed by the Company (apart, from such temporary loans obtained or to be obtained from the Company's bankers like working capital loans etc.,) will or may exceed the aggregate of the paid up capital of the Company and its free reserve, that is to say, reserves not set apart for any specific purpose".

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to do all acts, execute deeds, and things as may be necessary for giving effect to the above resolution".

8: **Appointment of Smt. Bhavana Rao as Nominee Director**

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

"RESOLVED THAT Smt. Bhavana Rao, the nominee of M/s. IFCI Venture Capital Funds Limited (IFCI), who was appointed as an additional director of the Company with effect from 02-07-2011, pursuant to Sec.260 of the Companies Act, 1956 and holds office up to the date of annual general meeting, in respect of whom the Company has received a notice in writing along with requisite deposit amount from a member of the Company under Sec.257 of the Companies Act, 1956 proposing her candidature for the office of director of the Company, be and is hereby appointed as director of the Company and shall not be liable to be retire by rotation.

By Order of the Board
For LOKESH MACHINES LIMITED

Place: Hyderabad — **K. Durgadas Maiya**
Date : August 12, 2011 — Company Secretary

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. Proxies should be deposited at the Registered Office of the Company not less than Forty-Eight hours before the scheduled commencement of the meeting.
2. An Explanatory Statement pursuant to Sec.173 (2) of the Companies Act, 1956 relating to the special business to be transacted at the meeting is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from **September 26, 2011** to **September 30, 2011,** both days inclusive, on account of the Annual General Meeting and payment of Dividend.
4. 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.
5. Corporate Members are requested to submit a duly certified copy of the Board Resolution authorising their representative to attend and vote at the Annual General Meeeting.
6. Members are requested to bring the duly filled attendance slip along with their copy of the annual report to the meeting.
7. Relevant documents and registers will be available for inspection by the members at the registered office of the company.
8. As per the green initiatives issued by the Ministry of Corporate Affairs, all companies are allowed to send official documents to their shareholders electronically. Henceforth, we propose to send documents like notice convening the general meetings, financial statements etc. to the email address registered with the company.

We request you to register / update your email address with your depository participant / RTA to ensure that all documents reach you on your preferred email.

9. The information on the particulars of the Directors seeking appointment / re-appointment as required under clause - 49 of the Listing Agreement entered into by the company with the stock exchanges has been given below:

Additional information on Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting

Name	M. Srinivas	M. Srikrishna	Bhavana Rao
Date of birth	21-06-1968	31-07-1971	07-12-1967
Designation	Promoter - Non Executive Director	Promoter- Non Executive Director	Independent Non Executive Director
Date of appointment	01-10-2005	01-10-2005	02-07-2011
Educational Qualifications	M.S. In Industrial Engineering from New Jersey Institute of Technology, USA	Bachelor of Engineering From Osmania University	Master Degree in Computer Applications (MCA) from Gujarat University, B.Sc (Electronic), PG Diploma in Management and pursuing PG Diploma in Renewal energy
Areas of Experience	15 years of experience in the field of Engineering	14 years of experience in the field of Engineering	16 years of experience in the areas of system integaration and administration including evaluation of investment proposals, project monitoring etc.
Membership/ Chairmanship of the Committee held in the Company	Member of Audit Committee	Member of the Shareholders'/ Investors' Grievance Committee	Nil
Companies in which he/ she holds Diretorships	M.L.R. Motors Ltd. MLR Auto Ltd.	Nil	Rado Tyres Ltd. Electronica Machine Tools Ltd
Membership/ Chairmanship of the Committee held in other Companies	Nil	Nil	Nil
No of shares held in the Company	10,66,191	11,09,931	Nil

<u>Explanatory Statement under Section 173(2) of the Companies Act, 1956</u>

Item No. 6:

In view of the present size of the company's operations and its future requirement of capital, it is proposed to increase the Authorised Share Capital of the Company from Rs.12,50,00,000/- (Rupees Twelve crores Fifty lakhs only) to Rs. 17,50,00,000/- (Rupees Seventeen crores Fifty lakhs only). The increased share capital of Rs. 17,50,00,000/- will consist of 1,75,00,000 Equity Shares of Rs. 10/- each. The necessary amendment in the Memorandum of Association is proposed to reflect the enhanced Authorised Share Capital.

As per the provisions of Sections – 16 and 94 read with all other applicable provisions of the Companies Act, 1956, the Authorised Share Capital of the company can be increased by the approval of Shareholders. Therefore, the necessary resolutions as per Item no.6 are being placed before you.

Further, the Memorandum of Association is required to be amended to reflect the enhanced Authorised Share Capital by alteration of Capital Clause.

The Board of Directors recommend the above mentioned resolutions for your approval. None of the directors of the company are in any way interested or concerned in the resolutions.

Item No. 7:

The Company is growing significantly every year and expanding the volume of operations. The Company, in order to meet its growth objectives and to strengthen its financial position requires funds. Therefore, it is proposed to enhance the borrowing powers of the Company beyond the paid up capital and free reserves of the Company.

As per the provisions of Section 293(1)(d) of the Companies Act, 1956, the Board of Directors can not borrow money (a part from temporary loans obtained from the Company's Bankers in the ordinary course of business) in excess of the Company's Paid-up Capital and Free Reserves (that is reserves not set apart for any specific purpose) without the consent of the shareholders in the General Meeting.

The shareholders of the Company at the Annual General Meeting held on September 30th, 2004 authorised the Board of Directors to borrow up to Rs. 50 crores.

In order to avail further loans from the Banks/Financial Institutions or any other Lenders for business purposes, it is considered necessary to enhance the said borrowing limits of the Board of Directors to Rs. 100 Crores.

The Resolution set out at Item No. 7 of the notice is put forth for consideration of the members as an Ordinary resolution pursuant to section 293(1)(d) of the Companies Act, 1956, authorizing the Board of Directors to borrow up to a sum of Rs.100 Crores.

The Board of Directors recommend the above mentioned resolutions for your approval. None of the directors of the company are in any way interested or concerned in the resolutions.

Item No. 8:

The Company has availed financial assistance form IFCI Venture Capital Funds Limited (IFCI) by issuing 20,70,000 Secured Optionally Convertible Debentures (OCDs) of Rs. 45/- each aggregating to Rs. 9,31,50,000/- upon mutually agreed terms and conditions. To safeguard their interest, IFCI has nominated Smt. Bhavana Rao to be appointed as their Nominee Director on the Board of the Company.

Accordingly Smt. Bhavana Rao was appointed as an Additional Director of the Company with effect from 2nd July, 2011. She is a Non-Executive Independent Director of the Company.

As per the provisions of Section 260 of the Companies Act, 1956, Smt. Bhavana Rao will hold office till the ensuing Annual General Meeting.

Notice under Section 257 of the Act, was received from a member proposing the appointment of Smt. Bhavana Rao as the Company's Director, along with the requisite deposit.

Ms. Bhavana Rao is Asst. General Manager in IFCI Venture Capital Funds Limited (IFCI). IFCI has nominated her on the Boards of four portfolio companies. Her work profile includes responsibility for setting up Green India Venture Fund (GIVF). She is presently the Investment Officer of India Automotive Manufacturers Private Equity Fund – I - D (IACM-1-D).

Ms. Bhavana Rao does not hold any shares in the Company. Her induction on the Board would be of immense benefit to the Company.

The Board of Directors recommends the resolution for your approval. None of the Directors except Ms. Bhavana Rao is interested or concerned in the resolution.

By Order of the Board
For Lokesh Machines Limited

Place: Hyderabad
Date: August 12, 2011

K. Durgadas Maiya
Company Secretary

27TH REPORT OF THE BOARD OF DIRECTORS

Your Directors have pleasure in presenting the Twenty Seventh Annual Report together with the Audited Statement of Accounts for the financial year ended March 31, 2011.

FINANCIAL RESULTS

Rs in Lakhs

PARTICULARS	(2010-11)	(2009-10)
Net Sales	14639.63	9682.90
Other Income	400.94	131.32
Total Income	15040.57	9814.22
Profit before Depreciation, Interest and Taxes	**3074.25**	**2663.58**
Depreciation	741.36	707.34
Profit before Interest and Taxes	**2332.89**	**1556.24**
Interest and Finance Charges	1223.21	916.07
Profit before Taxes	**1109.68**	**640.17**
Provision for Taxes	401.15	235.54
Profits after Taxes	708.52	404.63

PERFORMANCE REVIEW:

Your Directors are pleased to report that the Company could maintain an all round growth in the operations. The turnover increased by 51.19 %, and the Profit before Interest and Taxes increased by 49.9 % compared to the previous year. The Earnings per Share increased from Rs. 3.44 in the previous year to Rs 6.02 in the year under report.

FUTURE OUTLOOK

With the turnaround providing the momentum to the overall growth in the general economic activity, your Directors are hopeful for a better performance in the current year.

DIVIDEND

Your Directors are pleased to recommend for approval of the Members a dividend of 10% on equity shares of the company for the financial year 2010-11, amounting to Re. 1.00/- per equity share.

The dividend on the equity shares, if declared as above, would involve an outflow of Rs.1,17,77,400/- towards dividend and Rs. 19,56,079 /- towards dividend tax, resulting in a total outflow of Rs. 1,37,33,479./-.

Out of the profits the Directors propose to transfer an amount of Rs 25,00,000 /- to the General Reserves.

DIRECTORS

Mr. M Srinivas and Mr. M Srikrishna, Directors of the company retire by rotation at the ensuing Annual General Meeting, and being eligible offer themselves for re-appointment.

Smt. Bhavana Rao, the nominee of M/s. IFCI Venture Capital Funds Limited (IFCI), who was appointed as additional director of the Company, pursuant to Sec.260 of the Companies Act, 1956 and holds office up to the date of annual general meeting. The Company has received a notice under Section 257 from one of the shareholder proposing her candidature for the office of director along with a deposit of Rs. 500/- and accordingly her appointment is placed at the ensuing Annual General Meeting for approval of members.

As required by clause 49 of the Listing Agreement with the Stock Exchanges, the information on the particulars of the Directors seeking re-appointment was given in the notice to the AGM.

PUBLIC DEPOSITS:

During the year, the company has not accepted any deposits from the public and is therefore not required to furnish information in respect of outstanding deposits under Non-Banking Non-Financial Companies (Reserve Bank) Directions, 1966 and Companies (Acceptance of Deposit) Rules, 1975.

LISTING:

The equity shares of the Company are listed with Bombay Stock Exchange Limited (BSE), and National Stock Exchange of India Limited (NSE). There are no arrears on account of payment of listing fees to the said Stock Exchanges.

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 judgments 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, 2011 and of the profit of the Company for the year ended on that date.

III. That 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.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO:

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

Particulars of employees whose information is to be annexed to this report pursuant to sec-217(2A) of the Companies Act, 1956 are not applicable since the company has not employed any such employees.