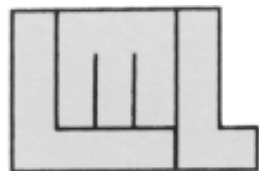


**ANNUAL REPORT  
2012-2013**



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Lokesh  
Machines Limited

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### BOARD OF DIRECTORS

<b>Mr. M Lokeswara Rao</b>	_____	Managing Director
<b>Mr. B Kishore Babu</b>	_____	Executive Director
<b>Mr. K Krishna Swamy</b>	_____	Whole Time Director (Technical)
<b>Mr. M Srikrishna</b>	_____	Whole Time Director (CNC Machine Division)
<b>Mr. M Srinivas</b>	_____	Director
<b>Mr. B R Mahesh</b>	_____	Director
<b>Mr. R Mohan Reddy</b>	_____	Director
<b>Mr. M Hariprasada Rao</b>	_____	Director
<b>Smt. Bhavana Rao</b>	_____	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. D. Raghavendra Rao

#### BANKERS

State Bank of Hyderabad  
Punjab National Bank  
State Bank of India  
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/I Ranjangaon Industrial Area, MIDC, Shirur, Pune, Maharashtra
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## NOTICE OF THE 29TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty Ninth Annual General Meeting of Lokesh Machines Limited will be held on Saturday on September 28th, 2013 at 11:00 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, 2013 and the Statement of Profit and Loss 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.K Krishna Swamy, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr.M. Hariprasada Rao who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s. Brahmayya & Co, Chartered Accountants, Hyderabad 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 authorise the Board to fix their remuneration.

By Order of the Board  
**For LOKESH MACHINES LIMITED**

Place: Hyderabad  
Date : August 12, 2013

**D. Raghavendra Rao**  
Company Secretary

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### 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. The Register of Members and Share Transfer Books of the Company will remain closed from September 24, 2013 to September 28, 2013, both days inclusive, on account of the Annual General Meeting and payment of dividend.
3. 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.
4. 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 Meeting.
5. Members are requested to bring the duly filled attendance slip along with their copy of the annual report to the meeting.



6. Relevant documents and registers will be available for inspection by the members at the registered office of the company.
7. 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.

8. 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:

Name	Mr. K Krishna Swamy	Mr. M. Hariprasada Rao
Date of birth	25-12-1940	21-07-1927
Designation	Whole time Director	Whole time Director
Date of appointment	28/07/1995	28/09/2010
Educational Qualifications	Bachelor of Technology (Mechanical)	MS (Power systems Engineering) From Illinois of Technology U.S.A
Areas of Experience	Nearly 40 years of experience in the field of Mechanical Division.	He Has held several Advisory Positions with international Atomic Agency and Gujarat State Electricity Board, Ministry of Power ,Tamilnadu Government in Energy Problems and Board Member of Nuclear Power Board and he retires a Director of Nuclear Power Board, He was a Founding Member of MHP Associates in Chennai and was the chairperson of Hindustan Magnetic Limited
Membership / Chairmanship of the Committees held in the other company	Nil	Chairman of Remuneration Committee
Companies in which he / she holds Directorship	Nil	Sree Jayajothi Cements Limited
Membership / Chairmanship of the Committees held in other companies	Nil	Nil
No of Shares held in the company	22,000	Nil

## 29TH REPORT OF THE BOARD OF DIRECTORS

Your Directors have pleasure in presenting the Twenty Ninth Annual Report together with the Audited Statement of Accounts for the financial year ended March 31, 2013.

### FINANCIAL RESULTS

*Rs in Lakhs*

Particulars	(2012-13)	(2011-12)
Net Sales	13,933.57	16,296.57
Other Income	149.19	185.92
Captive Consumption	290.12	438.66
Total Income	14372.88	16921.15
<b>Profit before Depreciation, Interest and Taxes</b>	<b>2916.24</b>	<b>3605.38</b>
Depreciation	961.15	845.73
<b>Profit before Interest and Taxes</b>	<b>1955.09</b>	<b>2759.65</b>
Interest and Finance Charges	1804.47	1512.23
<b>Profit before Taxes</b>	<b>150.62</b>	<b>1247.42</b>
Provision for Taxes	44.34	487.59
<b>Profits after Taxes</b>	<b>106.28</b>	<b>759.83</b>

### PERFORMANCE REVIEW:

The turnover decreased by 14.50%, and the Profit before Interest and Taxes decreased by 29.15% compared to the previous year. The Earnings per Share decreased from Rs. 6.45 per share in the previous year to Rs 0.90 per share in the year under report. This has been a result of the acute fall in the overall market.

The offtakes in the component division had come down due to a severe fall in the Commercial Vehicles and Tractors last year. There has been a fall in the General purpose machinery sale too, due to a slump in the automotive market. However with support from an improved export performance, the General Purpose machinery division could hold on to a respectable sale although it was lower than the previous year. The SPM division performed much better than the previous years due to some major projects being undertaken by the OEMs. Though the market conditions were not significantly great, the OEMs still went ahead and completed their projects thereby ensuring that the machines on order with us were lifted.

### FUTURE OUTLOOK

The current market conditions are slow at the moment and there has been a sizeable shrinkage in the general business. However, your directors we are pleased to inform you that we will be able to sail through this year as;

- 1) We are comfortable on our Special Purpose Machinery Order book and we are more or less booked for the entire year. These are project orders from the OEMs which could be for their Greenfield or expansion projects and they will go ahead and execute these projects regardless of the temporary market conditions.
- 2) The CNC machines division is also expected to maintain the performance as we have had a breakthrough in the Russian market and have already successfully delivered a few machines. There are repeat orders from Russia which should help offset reduction in regular order flows.



The company is exploring other new overseas markets to shore up export revenues.

- 3) On the component division front, we have already made a significant investment in new machining lines in the Pune plant. These lines are expected to commence production in the last quarter of this year and thereby add to our revenues.

With slowdown reaching unprecedented levels, there is a turnaround due now and the government is expected to announce some measures to provide the momentum to the overall growth in the general economic activity which the Directors are hopeful would help further in the current year.

#### **DIVIDEND**

Your Directors are pleased to recommend for approval of the Members a dividend of 7.5% on equity shares of the company for the financial year 2012-13, amounting to Re. 0.75/- per equity share.

The dividend on the equity shares, if declared as above, would involve an outflow of Rs. 88,33,050/- towards dividend and Rs. 15,01,177/- towards dividend tax, resulting in a total outflow of Rs. 10,33,42,27/-.

#### **TRANSFER TO GENERAL RESERVE**

The Company does not propose to transfer any amount to General Reserve.

#### **DIRECTORS**

Mr. K Krishna Swamy and Mr. M. Hariprasada Rao, Directors of the company 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 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, 2013 and of the profit of the Company for the year ended on that date.
- III. That 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.

#### **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.

#### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

The Management Discussion and Analysis Report for the year under review, as stipulated under Clause-49 of the Listing Agreement entered with the Stock Exchanges is annexed as Annexure 'B' to this Report.

#### **CORPORATE GOVERNANCE**

As per Clause-49 of the Listing Agreement entered with the Stock Exchanges, a detailed report on Corporate Governance together with the declaration by the Managing Director and Certificate issued by the Statutory Auditors' of the company confirming the compliance of conditions of corporate governance are annexed as Annexure 'C'

#### **SUBSIDIARY COMPANY:**

The company does not have any Subsidiary company either in India or abroad.

#### **AUDITORS' & AUDITORS' REPORT:**

M/s. Brahmayya & Co, Chartered Accountants, the statutory auditors of the Company retire at the conclusion of this ensuing Annual General Meeting and have expressed their willingness to act as statutory auditors of the Company, if appointed and have confirmed that the said appointment would be in conformity with the provisions of Sec-224(1B) of the Companies Act, 1956.

The notes on accounts referred to in the Auditors' Report are self explanatory and therefore does not require any further comments.

#### **NEW MANUFACTURING UNITS AND EXPANSION:**

The construction work is in progress at Automotive Park, Toopran Mandal, Medak District, Andhra Pradesh to setup an auto component and Machine tool manufacturing unit. The Commercial production is expected to be initiated shortly.

After successfully implementing the Cylinder Blocks and Cylinder Heads manufacturing operations at Ranjangoan- Pune, the company is now expanding further into new areas. State of the art manufacturing lines for machining Connecting Rods are being setup at Pune. The company has already secured firm orders from two leading OEMs for supply of machined Connecting rods. Major portions of the lines have been sourced from Germany and the balance are complimented by Lokesh's own make of machines.

#### **ACKNOWLEDGEMENTS**

Your Directors wish to place on record their appreciation for the support and co-operation extended by the Shareholders, Bankers, Financial Institutions, Government Authorities, Stock Exchanges, Customers, Suppliers and other associates.

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

On behalf of the Board  
For **Lokesh Machines Limited**

Place: Hyderabad.  
Date: August 12, 2013

**B Kishore Babu**  
(Executive 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, 2013.

### A. Conservation of Energy

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

### B. 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:

Design & manufacturing of tooling and fixtures required for Automobile Industry like sheet metal dies and BIW welding fixtures.

2. Benefits derived as a result of the above R & D: Expanding the project range
3. Future plan of action: Commercialization of the above products.
4. Expenditure on R & D:

(a) Capital	:	NIL
(b) Recurring	:	34.83 lakhs
(c) Total	:	34.83 lakhs
(d) Total R & D expenditure as a percentage of total turnover	:	0.25 %

#### Foreign Exchange Earnings and Outgo

(i) Foreign Exchange Earnings	:	Rs.744.88 Lakhs
(ii) Foreign Exchange Outgo:		
For Capital Goods	:	Rs. 544.84 Lakhs
For Components on FOB basis	:	Rs. 696.35 lakhs
Towards Foreign Travel	:	Rs. 8.07 Lakhs

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The management presents the analysis of performance of your Company for the year 2012-13 and its outlook for the future. This outlook is based on assessment of the current business environment and the expectations, estimates and projections of the management of the Company. It may vary due to future economic and political development, both in the Indian and international economies and due to other factors beyond control.

### Industry Structure and Development

The year 2012-13 was marked by growing global uncertainties. Global recovery has stalled, growth prospects have dimmed and downside risks have escalated. The growth of the Indian Economy has also slowed down.

The machine tools industry is always the first to be affected and the last to recover during a revival whenever there is a slowdown in the economy and global uncertainties. Machine tools production in India has decreased to Rs.33,296 Million during 2012-13 from Rs.42,990 compared to 2011-12 registering the annual decline of 22%.

### Opportunities & Threats, Risks and Concerns

India stands 13th in production and 6th in the consumption of machine tools in the world as per the latest survey.

Growing global uncertainties, fluctuation of the rupee against the dollar and the euro and persistent double digit inflation may hinder the performance of the company but Improved and sustained efforts of your Company for enhancing the technological competencies and cost competitiveness and sophistication of CNC machines are expected to yield good results in the near future.

The machine tool industry was dependent on the automobile and auto components sector for a majority of its business. But, diversification into emerging areas like aerospace, defense, space, power, railways and heavy engineering has given a new lease of life to the sector. The industry expects better growth in the coming year.

### Segment wise Performance

The company has a rich experience of 29 years in automobile sector and in manufacturing of auto component such as Cylinder Blocks and Cylinder Heads, further your company planned to expand further and enter into the manufacturing field of Connecting Rod as there is an interest evinced by our clients. For this new Connecting Rod projects, the company will be setting up a new unit and the requisite machines are been sourced from and equipped by German technology.

With an efficient innovative management team and vast experience in Development, Production, Supply of Machine Tools, Jigs, Fixtures and Accessories needed and Improved and sustained efforts of your Company for enhancing the technological competencies and cost competitiveness the company is expected to yield good results in the near future.

### Internal Control Systems and their adequacy

Your Company has effective internal control systems commensurate with the size of the Company. This is further supplemented by an internal audit being carried out by an external firm of Chartered Accountants. The internal auditors conduct audits of the performance of various departments, functions and locations and also statutory compliances based on an annual audit plan chalked out in consultation with the Audit Committee. They report their observations/ recommendations to the Audit Committee of the Board of Directors, which comprises three nonexecutive Independent Directors. The Audit