

# **22nd Annual Report 2005-2006**

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**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 Srinivas	:	Director (Auto Component)
Mr M Srikrishna	:	Director (CNC Machines Division)
Mr B R Mahesh	:	Director
Mr V Sankar	:	Nominee Director of IDBI
Dr Y Satyanarayana	:	Director
Mr R Mohan Reddy	:	Director
Mr Y Venkata Rao	:	Director

**STATUTORY COMMITTEES****AUDIT COMMITTEE**

Mr B R Mahesh – Chairman  
Dr Y Satyanarayan – Member  
Mr V Shankar – Member

**REMUNERATION COMMITTEE**

Dr Y Satyanarayana – Chairman  
Mr V Shankar – Member  
Mr B R Mahesh – Member

**SHAREHOLDER/INVESTOR****GRIEVANCE REDRESSAL COMMITTEE**

Mr M Srinivas – Chairman  
Mr R Mohan Reddy – Member  
Mr Y Venkata Rao – Member

**COMPANY SECRETARY**

Bijan Kumar Dash

**REGISTRARS & TRANSFER AGENTS**

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

**REGISTERED OFFICE**

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

**WORKS**

Temple Road,  
Bonthapally,  
Medak District,  
Andhra Pradesh

B – 25 & 36,  
EEIE, Stage II,  
Balanagar, Hyderabad,  
Andhra Pradesh

Ravalkol village,  
Medchal Mandal  
Rangareddy Distt,  
Andhra Pradesh

Plot No 41, IDA  
Balanagar,  
Hyderabad

**BANKERS**

State Bank of Hyderabad  
Industrial Finance Branch  
Panjagutta, Hyderabad – 500 082

Punjab National Bank  
Saifabad Branch  
Hyderabad – 500 004

State Bank of Indore  
Abids  
Hyderabad – 500 001

**AUDITORS****STATUTORY AUDITORS**

Deloitte Haskins & Sells  
Chartered Accountant  
Lingapur House, (7<sup>th</sup> Floor)  
Amrutha Estates, Himayathnagar  
Hyderabad – 500 029

**INTERNAL AUDITORS**

M V Narayana Reddy & Co.  
Chartered Accountants  
Ameerpet, Hyderabad

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### Notice of 22nd Annual General Meeting

NOTICE is hereby given that the Twenty Second Annual General Meeting of **Lokesh Machines Limited** will be held on **Wednesday, the 27th September, 2006 at 10.00 a.m.** at Plot No 41, IDA, Balanagar, Hyderabad -500037 to transact the following business:

#### ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March 2006 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. B Kishore Babu, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr. B R Mahesh, who retires by rotation and is eligible for reappointment.
5. To appoint Auditors and fix their remuneration.

A Special Notice has been received under Section 225 of the Companies Act, 1956 signifying his intention to propose the following Resolution for appointment of Auditors.

"RESOLVED that M/s. Brahmayya & Co., Chartered Accountants be and are hereby appointed as Auditors of the Company from the conclusion of this Meeting to the conclusion of the next Annual Meeting at a remuneration of Rs.5,00,000/- (Rupees Five lacs only), plus reimbursement of out of pocket expenses."

#### SPECIAL BUSINESS

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

"RESOLVED that Dr Y Satyanarayana who has been appointed as an Additional Director of the Company with effect from 8<sup>th</sup> December 2005 and holds office till the date of this Meeting in terms of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company."

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

"RESOLVED that Mr. R Mohan Reddy who has been appointed as an Additional Director of the Company with effect from 4<sup>th</sup> January 2006 and holds office till the date of this Meeting in terms of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company."

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

"RESOLVED that Mr.Y.Venkata Rao who has been appointed as an Additional Director of the Company with effect from 4<sup>th</sup> January 2006 and holds office till the date of this Meeting in terms of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company."

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

Place : Hyderabad  
Date : 29.08.2006

**BIJAN KUMAR DASH**  
Company Secretary

#### NOTES :

1. A Member entitled to attend and vote at the above 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 20<sup>th</sup> September 2006 to 27<sup>th</sup> September 2006, both days inclusive on account of the Annual General Meeting and Dividend payment.
4. The Dividend as recommended by the Board, if sanctioned at the Meeting, will be paid to those members whose names appear on the Register of Members as on 27<sup>th</sup> September 2006, or to their nominees. In respect of shareholding in dematerialised form, dividend will be paid to the beneficial owners as at the end of business on 20<sup>th</sup> September 2006, as per details to be furnished by the depositories for the purpose.
5. Dividends in respect of shares held in dematerialised form shall be credited to the beneficial owner's bank account directly through Electronic Clearing Service (ECS) subject to availability of bank account details and 9 digits code number. In case the said details have not been provided to the concerned Depository Participant or there is any change, the same may please be intimated to the concerned Depository Participant immediately. Shareholders holding shares in Physical Form and desirous of availing the Electronic Clearing Service (ECS) facility are requested to complete the ECS Form attached to this Annual Report and forward the same to the Company's Registrars and Transfer Agent.



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### EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956 )

#### ITEM NO. 6

Dr Y Satyanarayana was appointed by the Board as an Additional Director of the Company with effect from 8<sup>th</sup> December 2005. As per the provisions of Section 260, he holds office till the date of the ensuing Annual General Meeting.

The brief Resume of Dr Y Satyanarayana has been included at the end of this Notice as a part of compliance with Clause 49 of the Listing Agreement with the Stock Exchange.

A Notice has been received from a Member pursuant to Section 257 of the Companies Act, 1956, signifying his intention to propose the appointment of Dr. Y Satyanarayana as a Director together with requisite deposit. The proposed resolution is set out for this purpose.

Your Directors recommend that the resolution be passed.

None of the Directors of the Company is interested in the proposed resolution

#### ITEM NO. 7

Mr. R Mohan Reddy was appointed by the Board as an Additional Director of the Company with effect from 4<sup>th</sup> January 2006. As per the provisions of Section 260, he holds office till the date of the ensuing Annual General Meeting.

The brief Resume of Mr.R Mohan Reddy has been included at the end of this Notice as a part of compliance with Clause 49 of the Listing Agreement with the Stock Exchange.

A Notice has been received from a Member pursuant to Section 257 of the Companies Act, 1956, signifying his intention to propose the appointment of Mr. R. Mohan Reddy as a Director together with requisite deposit. The proposed resolution is set out for this purpose.

Your Directors recommend that the resolution be passed.

None of the Directors of the Company is interested in the proposed resolution.

#### ITEM NO. 8

Mr. Y Venkata Rao was appointed by the Board as an Additional Director of the Company with effect from 4<sup>th</sup> January 2006. As per the provisions of Section 260, he holds office till the date of the ensuing Annual General Meeting.

The brief Resume of Mr. Y.Venkata Rao has been included at the end of this Notice as a part of compliance with Clause 49 of the Listing Agreement with the Stock Exchange.

A Notice has been received from a Member pursuant to Section 257 of the Companies Act, 1956, signifying his

intention to propose the appointment of Mr. Y Venkata Rao as a Director together with requisite deposit. The proposed resolution is set out for this purpose.

Your Directors recommend that the resolution be passed.

None of the Directors of the Company is interested in the proposed resolution.

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

Place : Hyderabad  
Date : 29.08.2006

**BIJAN KUMAR DASH**  
Company Secretary

### Brief Resume of Directors proposed to be reappointed

(In terms of Clause 49 of the Listing Agreement)

#### Mr.B Kishore Babu

Mr. B Kishore Babu (49) is a an Graduate Engineer with over 26 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 20 years. As Executive Director, he is the operational head for all the divisions.

#### Mr.B R Mahesh

Mr. B R Mahesh (52) 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 acting as 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.

#### Dr Y Satyanarayana

Dr. Y Satyanarayana (66) is a mechanical engineer from Osmania University, and a Ph.D from Poona University. He had a distinguished career in Andhra Pradesh Road Transport Organisation (APSRTC). From a Trainee Engineer in 1960, he grew to the position of Executive Director of APSRTC.

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After his retirement from APSRTC, he is at present 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.

### Mr. R. Mohan Reddy

Mr. R Mohan Reddy (66) is a mechanical engineer and a management graduate 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.

### Mr. Y. Venkata Rao

Mr. Y Venkata Rao (41) is a Chartered Accountant and finance professional for over 15 years. He has been a financial consultant for several companies. He has also been associated with several consultancy assignments with the company in the areas of finance and accounts.

## FORM NO.E-5

Appendix – VIII

### Electronic Clearing Service (Credit Clearing)

Model Mandate Form

(Investor/customer's option to receive payments through Credit Clearing Mechanism)

Name of the Scheme and the periodicity of payment

No.

1) Investor/customer's name:

2) Particulars of Bank account

A Name of the Bank :

B Name of the branch :

Address :

Telephone No. :

C 9-Digit code number of the bank and branch appearing on the MICR cheque issued by the bank:

D Type of the account (S.B., Current or Cash Credit ) with code (10/11/13)

E Ledger and Ledger folio number:

F Account number (as appearing on the cheque book)

(In lieu of the bank certificate to be obtained as under, please attach a blank cancelled cheque or photocopy of a cheque or front page of your savings bank passbook issued by your bank for verification of the above particulars)

3) Date of effect:

I hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information, I would not hold the user institution responsible. I have read the option invitation letter and agree to discharge the responsibility expected of me as a participant under the scheme.

Date:

(.....)  
Signature of the Investor/Customer

Certified that the particulars furnished above are correct as per our records.

Bank's Stamp

Date:

(.....)  
Signature of the authorised  
Official of the Bank





## 22nd Report of the Board of Directors

Your Directors have pleasure in presenting their Report for the financial year ended March 31, 2006.

### Financial Results

The Audited Balance Sheet of your Company as at March 31, 2006, 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:

Particulars	Rs. In lacs 2005-06	Rs. in lacs 2004-05
Net Sales	7798.74	6000.87
Other Income	62.04	48.90
Total Income	7860.78	6049.77
<b>Profit before Depreciation, Interest and Taxes</b>	<b>2175.98</b>	<b>1619.02</b>
Depreciation	333.04	329.37
<b>Profit before Interest and Taxes</b>	<b>1842.94</b>	<b>1289.65</b>
Interest and Finance Charges	499.78	505.68
<b>Profit before Taxes</b>	<b>1343.16</b>	<b>783.97</b>
Provision for Taxes	520.15	261.49
<b>Profits after Taxes</b>	<b>823.01</b>	<b>522.48</b>

Your Directors are pleased to report a 30% growth in the total income and 71.32% growth in the Profits before taxes compared to the results of the previous year. The significant improvement in the performance was due to the stringent measures of economy and quality control adopted by the company.

Out of the profits, the Directors propose a transfer of an amount of Rs. 82.35 lacs to the General Reserves.

### Dividend

Your Directors are pleased to recommend a Final Dividend of 10% on the expanded capital of 117,77,400 Equity Shares of Rs. 10/- each, after the Public Issue. With the Interim Dividend of 10% on pre-public issue capital of 87,77,400 shares of Rs. 10/- each already paid by the company in December 2005, the total dividend payout for the year 2005-06 would amount to Rs. 205.54 lacs, after approval of the Final Dividend by the Shareholders.

### Public Issue of Shares

Your Directors are pleased to report a very enthusiastic response to the Initial Public Offering of 30 lacs Equity Shares of Rs. 10/- each at a premium of Rs. 130/- per shares. Upon allotment of shares, the shares have since been listed in BSE and NSE, and are being regularly traded.

### Variations in the utilization of the issue Proceeds

Your Directors wish to report in terms of Clause 43 of the Listing Agreement with the Stock Exchanges that there have been no material variations in the utilization of the proceeds of the Public Issue from what has been projected in the Prospectus.

### AUDITORS' REPORT

With respect to the observations made by the Auditors in their Report, your Directors wish to Report as under:

### Delay in Deposit of TDS, Advance Income Tax, and Institutional Dues

As the Report itself indicates, the dues have been paid, albeit delayed. Your Company has since streamlined the systems to ensure that such delays do not recur, and wishes to report up-to-date status of payment of all statutory and institutional dues.

### 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 31<sup>st</sup> March, 2006 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.

### CORPORATE GOVERNANCE

The Shares of your company were listed in the Stock Exchange only in May 2006. Hence the provisions relating to Corporate Governance as contained in Clause 49 of the Listing Agreement were not applicable for the year under review. However, as a measure of good corporate practice, your Directors enclose in Annexure A, a separate report of compliance as on date of this Report. The report also includes details of compliance with Clause 49 norms during the year under review, when the Code of Corporate Governance was not applicable to your Company. Your Directors also enclose

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a Report of a Company Secretary in whole-time practice relating to current compliance of conditions of corporate governance as on date of this Report.

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

### PARTICULARS OF EMPLOYEES

None of the employees has been in receipt of the remuneration envisaged by Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

### 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, are given below:*

#### 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

An outlay of Rs.289.05 lakhs has been made for in-house Research & Development activity. Your Company has been making constant efforts to update its technology and encourages innovations in manufacturing processes.

#### Foreign Exchange Earnings and Outgo

(i) Foreign Exchange Earnings:	Rs.345.49 lacs
(ii) Foreign Exchange Outgo :	
- For Capital Goods	Rs.266.43 lacs
- For Components on FOB basis	Rs.424.86 lacs
- Towards Foreign Travel	Rs.14.57 lacs

### DIRECTORS

Mr.M.Srinivas and Mr.Srikrishna were appointed as Additional Directors by the Board on the 1<sup>st</sup> October 2005, and have been subsequently appointed as Directors u/s 255(1)(b) in the Extraordinary General Meeting held on the 15<sup>th</sup> November 2005.

Dr Y. Satyanarayana was appointed by the Board as an Additional Director on 8th December 2005. Mr. R.Mohan Reddy and Y.Venkata Rao were appointed Additional Directors by the Board on the 4<sup>th</sup> January 2006. In terms of Section 260 of the Companies Act,1956 the additional directors hold office till the ensuing Annual General Meeting.

Notices have been received from Members pursuant to Section 257 of the Companies Act, 1956, signifying their intention to propose the appointment of Dr Y. Satyanarayana, Mr. R.Mohan Reddy and Y.Venkata Rao as directors of the company. Appropriate Resolutions for their appointment as directors are being proposed at the ensuing Annual General Meeting.

Mr. B. Kishore Babu and Mr. B.R.Mahesh retire by rotation at the ensuing Annual General Meeting, and being eligible offer themselves for re-appointment. Resolutions are being proposed at the ensuing Annual General Meeting proposing the reappointment of Mr. B. Kishore Babu and Mr. B.R.Mahesh as Directors of the Company.As required by clause 49 of the Listing Agreement with the Stock Exchange, brief resumes of Mr. B. Kishore Babu, Mr. B.R.Mahesh, Dr Y. Satyanarayana, Mr. R.Mohan Reddy and Y.Venkata Rao are included in the notice convening the Annual General Meeting.

Mr. Vishnu R. Varshney resigned as a Director of the Company with effect from 30<sup>th</sup> November 2005. Your Directors wish to record their appreciation of the contribution made by Mr. Vishnu R. Varshney during his tenure as a Member of the Board.

### AUDITORS

M/s. Deloitte Haskins & Sells, Chartered Accountants hold office till the conclusion of the ensuing Annual General Meeting. The Company has received a letter from them conveying their unwillingness to be reappointed.

A special notice has been received from a shareholder signifying his intention to propose resolution appointing M/s. Brahmayya & Co., Chartered Accountants as the auditor. M/s. Brahmayya & Co., Chartered Accountants have confirmed that their appointment, if made shall be accordance with Section 224 (1B) of the Companies Act, 1956. Your directors recommend M/s. Brahmayya & Co., Chartered Accountants be appointed as 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 and IDBI Ltd.

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      **B.Kishore Babu**      **M Lokeswara Rao**  
Date : 29.08.2006      (Director)      (Managing Director)





**Enexure "A" to the Directors' Report**  
**Report on Corporate Governance**  
**(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 utilise it as an instrument in its quest for excellence.

**II. Board of Directors**

Your Board of Directors consists of 10 directors, 5 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. Four of the non executive directors are independent.

During the year under review, 12 Board Meetings were held on the following dates:

April 15, 2005, June 29, 2005, September 5, 2005, October 1, 2005, November 30, 2005, December 5, 2005, December 8, 2005, January 4, 2006, January 9, 2006, January 16, 2006, March 13, 2006 and March 27, 2006.

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

Name of the Directors	Attendance particulars			No. of other Directorships and Committee member/Chairmanship		
	Board Meetings		Last AGM	Other Directorships (Public Companies)	Committee memberships	Committee chairmanships
	Held	Attended				
<b>Mr.M. Lokeswara Rao</b> Managing Director Promoter- Executive Director	12	12	Yes	Nil	Nil	Nil
<b>Mr. B..Kishore Babu</b> Promoter- Executive Director	12	12	Yes	Nil	Nil	Nil
<b>Mr. M. Srinivas</b> Promoter- Executive Director	8*	8	N.A	Nil	Nil	Nil
<b>Mr. M. Srikrishna</b> Promoter- Executive Director	8*	8	N.A	Nil	Nil	Nil
<b>Mr. K. Krishna Swamy</b> Non-Promoter, Executive Director	12	12	Yes	Nil	Nil	Nil
<b>Mr. B.R.Mahesh</b> Independent Non Executive	12	10	No	Nil	Nil	Nil
<b>Mr. V. Shankar</b> Independent Non Executive (Nominee of IDBI)	10	2	No	Nil	Nil	Nil
<b>Dr. Y. Satyanarayana</b> Independent Non Executive	5*	4	N.A	Nil	Nil	Nil
<b>Mr. R. Mohan Reddy</b> Independent Non Executive	4*	3	N.A	1	Nil	Nil
<b>Mr. Y. Venkata Rao</b> Non executive	4*	4	N.A	Nil	Nil	Nil

\* Number of Meetings held after their induction in the Board.

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### III. Audit Committee

In order to comply with the provisions of Clause 49, the Audit Committee was reconstituted on December 8, 2005 with Mr. B R Mahesh as the Chairman, Dr. Y Satyanarayana and Mr. V Shankar as its members. All the members of the Audit Committee are independent non executive directors. The Managing Director and the Finance Manager are permanent invitees to this Committee.

The terms of reference of the Audit Committee is in accordance with the provisions of Clause 49 of the Listing Agreement.

After reconstitution, one meeting of the Audit Committee was held on March 13, 2006, and during the current financial year one meeting was held on July 31, 2006. While Mr. B R Mahesh and Dr. Y Satyanarayana attended both the meetings, Mr. V Shankar attended the meeting on July 31, 2006.

### IV. Remuneration Committee

To comply with the provisions of Clause 49 of the Listing Agreement, the Remuneration Committee was reconstituted on December 8, 2005, comprising Dr. Y Satyanarayana as Chairman, and Mr. B R Mahesh and Mr. V Shankar as Members. All the Members of the Committee are independent, non executive directors.

The Committee reviews the remuneration of the directors and senior executives, and formulates the remuneration policy.

After its constitution, the Committee has met once, on July 31, 2006, and discussed the remuneration policy. All members of the Committee were present. As recommended by this committee, the remuneration payable to the executive directors and senior executive should be designed to attract the best of talent, and comparable to industry leaders.

#### Remuneration paid to Executive Directors

During the period under review, the remuneration paid/payable to the executive directors including the Managing Director is as follows:

Name of the Director	Salary (Rs.)	P.F	Other Allowance	Commission	Total (Rs.)
Mr. M.Lokeswara Rao (M.D)	1860000	9360	69485	1408250	3347095
Mr. B.Kishore Babu	1200000	9360	31830	-	1241190
Mr.K.Krishna Swamy	405000			-	405000
Mr.M.Srinivas	750000	4680		-	754680
Mr.M.Srikrishna	750000	4680		-	754680

#### Remuneration paid to non Executive Directors

The Non-Executive Directors were paid sitting fees for attending the meetings of the Board or the Committees thereof at the rate of Rs. 250/- per meeting. The sitting fees paid to the directors during the year under review was as follows:

Name of Director	No Meetings of Board or Committee attended	Sitting Fees paid (Rs)
Mr. B R Mahesh	12	3000
Mr. V Shankar	2	500
Dr. Y Satyanarayana	7	1750
Mr. R Mohan Reddy	3	750
Mr. Y Venkata Rao	4	1000

With effect from July 31, 2006, the Sitting Fees payable to the Directors has been revised to Rs 4,000 per meeting of the Board or Committee thereof attended by them.