

ANNUAL REPORT

2007-08

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Lokesh Machines Limited

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BOARD OF DIRECTORS

Mr Mullapudi Lokeswara Rao
Mr K Krishna Swamy
Mr B Kishore Babu
Mr M Srinivas
Mr M Srikrishna
Mr B R Mahesh
Mr V Shankar
Dr Y Satyanarayana
Mr R Mohan Reddy
Mr Y Venkata Rao

Managing Director
Director (Technical)
Executive Director
Director (Auto Components)
Director (CNC Machines Division)
Director
Nominee Director of IDBI
Director
Director
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'S/INVESTOR'S GRIEVANCE COMMITTEE

Mr R Mohan Reddy - Chairman
Mr B Kishore Babu – Member
Mr Y Venkata Rao - Member

COMPANY SECRETARY

Ms. A. Lalita Swarup

BANKERS

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

Punjab National Bank
Salfabad Branch
Hyderabad – 500 004

State Bank of Indore
Abids
Hyderabad – 500 001

AUDITORS

STATUTORY AUDITORS

M/s Brahmayya & Co.,
Chartered Accountants
Flat no 403 & 404
Golden Green Apartments
Erramanjal 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

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



NOTICE OF 24th ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty Fourth Annual General Meeting of **Lokesh Machines Limited** will be held on Saturday, on September 27, 2008 at 10.30 a.m. at Jubilee Hills International Centre, Near Jubilee Hills Check Post, Road no. 14, Jubilee Hills, Hyderabad 500 033 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March 2008 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. 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 Auditors and fix their remuneration.

By Order of the Board
for **Lokesh Machines Limited**

A. Lalita Swarup
Company Secretary

Place: Hyderabad
Date: July 31, 2008.

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 20, 2008 to September 27, 2008, 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 September 27, 2008, 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 hours on September 19, 2008, 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.

Brief Resume of Directors proposed to be reappointed

(In terms of Clause 49 of the Listing Agreement)

Name of Director : Mr. M Srinivas

Age: 40 years

Date of Birth : 21-06-1968

Educational Qualification & Experience:

M.S. in Industrial Engineering at New Jersey Institute of Technology, New Jersey, USA.

He has been associated with the company in different capacities for the past 12 years, and was elevated to the Board as a Wholtime Director w.e.f. October 1, 2005, when he was appointed as a Wholtime Director.

Other Directorships In Indian Public Limited Companies: M.L.R. Motors Limited

Mr. M Srinivas is the son of Mr. M. Lokeswara Rao, Managing Director and brother of Mr. M Srikrishna, Director of the Company.

Name of Director: Mr. M Srikrishna

Age: 37 years

Date of Birth: 31-07-1971

Educational Qualification & Experience

Bachelor of Engineering at Osmania University.

Mr. Srikrishna joined the company on completion of his education, and has over 11 years' experience. He 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 was elevated to the Board as a Wholtime Director w.e.f. October 1, 2005 when he was appointed as a Wholtime Director.

Other Directorships In Indian Public Limited Companies: NIL

Mr. M Srikrishna. is the son of Mr. M. Lokeswara Rao, Managing Director and brother of Mr. M Srinivas, Director of the Company.



LOKESH MACHINES LIMITED

24th Report of the Board of Directors

Your Directors have pleasure in presenting the Twenty Fourth Annual Report together with the Audited Statement of Accounts for the financial year ended March 31, 2008.

Financial Results

The Audited Balance Sheet of your Company as at March 31, 2008, 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 (2007-08)	Rs in Lacs (2006-07)
Net Sales	10939.10	8,961.68
Other Income	127.21	125.86
Total Income	11066.31	9,087.54
Profit before Depreciation, Interest and Taxes	3061.73	2,455.82
Depreciation	557.54	377.20
Profit before Interest and Taxes	2504.19	2,078.63
Interest and Finance Charges	638.43	401.61
Profit before Taxes	1865.76	1,677.01
Provision for Taxes	665.48	607.51
Profits after Taxes	1200.28	1,069.50

Your Directors are pleased to report that the Company could maintain an all round growth in the operations. The Net Sales increased by 22.06%, and the Profit before Interest and Taxes rose by 20.40% compared to the previous year. The Earnings per Share increased from Rs. 9.28 in the previous year to Rs. 10.19.

Out of the profits, the Directors propose a transfer of an amount of Rs.125.00 lacs to the General Reserves.

Dividend

Your Directors are pleased to recommend a Final Dividend of 25 %. The total dividend payout for the year would be 25%, amounting to Rs 294.44 lacs exclusive of dividend tax. Appropriate Special Resolution is being proposed at the ensuing Annual General Meeting for declaration of the Dividend

Implementation of the project and utilization of the issue Proceeds

As indicated in the previous Report, your Directors have been able to successfully complete the implementation of the Projects and fully utilize the proceeds of the public issue. The marginal increase of 3.78 % in the Project Cost has been met out of internal accruals.

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 31st March, 2008 and of the profit of the Company for the year ended on that date.
- III. The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.



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

CORPORATE GOVERNANCE

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

PARTICULARS OF EMPLOYEES

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

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

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

Foreign Exchange Earnings and Outgo

(i) Foreign Exchange Earnings:	Rs.890.15 lacs
(ii) Foreign Exchange Outgo :	
For Capital Goods	Rs.580.90 lacs
For Components on FOB basis	Rs.694.13 lacs
Towards Foreign Travel	Rs. 11.12 lacs

DIRECTORS

Mr. M Srinivas and Mr. M Srikrishna 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. M Srinivas and Mr. M Srikrishna as Directors of the Company. As required by clause 49 of the Listing Agreement with the Stock Exchange, brief resumes of Mr. M Srinivas and Mr. M Srikrishna are included in the notice convening the Annual General Meeting .

AUDITORS

M/s. Brahmayya & Co, Chartered Accountants, the auditors of the Company retire and are eligible for re-appointment. Appropriate Special Resolution is being proposed at the ensuing Annual General Meeting for the reappointment of the Auditors.



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.

ACKNOWLEDGEMENTS

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

B Kishore Babu
(Director)

M Lokeswara Rao
(Managing Director)

Place: Hyderabad.
Date: July 31, 2008





**Annexure "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, 6 Board Meetings were held on the following dates:

April 28 2007, July 30, 2007, August 27, 2007, October 31, 2007, January 31, 2008, March 10, 2008

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

Name of the Director	Attendance particulars			No of other Directorships and Committee member/Chairmanships		
	Board Meetings		Last AGM	Other Directorships (Public Companies)	Committee member-ships	Committee chairman ships
	Held	Attended				
Mr.M. Lokeswara Rao Managing Director Promoter- Executive Director	06	06	No	1	Nil	Nil
Mr. B.Kishore Babu Promoter- Executive Director	06	05	Yes	1	Nil	Nil
Mr. M. Srinivas Promoter- Executive Director	06	04	Yes	1	Nil	Nil
Mr. M. Srikrishna Promoter- Executive Director	06	04	Yes	Nil	Nil	Nil
Mr. K. Krishna Swamy Non- Promoter, Executive Director	06	03	Yes	Nil	Nil	Nil
Mr. B.R.Mahesh Independent Non Executive	06	06	Yes	Nil	Nil	Nil
Mr. V. Shankar Independent Non Executive (Nominee of IDBI)	06	05	No	Nil	Nil	Nil
Dr. Y. Satyanarayana Independent Non Executive	06	05	No	Nil	Nil	Nil
Mr. R. Mohan Reddy Independent Non Executive	06	05	No	1	2	1
Mr. Y. Venkata Rao Non executive	06	05	Yes	Nil	Nil	Nil

III. Audit Committee

Your Board has constituted an Audit Committee 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 are in accordance with the provisions of Clause 49 of the Listing Agreement.

During the period under review six meetings of the Audit Committee were held on April 28, 2007, July 30, 2007, August 27, 2007, October 31, 2007, and January 31, 2008 and March 10, 2008. While Mr. B R Mahesh attended all the meetings, Dr. Y Satyanarayana and Mr. V Shankar attended 5 meetings each.

IV Remuneration Committee

The Remuneration Committee comprises of 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. There was no need for any meeting of the Committee during the year under review.

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	P.F	Other Allowance	Commission	(Rs. In Lacs) Total
Mr. M.Lokeswara Rao (M.D)	24.00	0.09	-	19.61	43.70
Mr. B.Kishore Babu	15.00	0.09	-	-	15.09
Mr.K.Krishna Swamy	4.20	-	-	-	4.20
Mr.M.Srinivas	15.00	0.09	-	-	15.09
Mr.M.Srikrishna	15.00	0.09	-	-	15.09

Remuneration paid to non Executive Directors

The sitting fees paid to the directors during the year under review was as follows:

Name of Director	Sitting Fees paid (Rs)
Mr. B R Mahesh	48,000
Mr. V Shankar	40,000
Dr. Y Satyanarayana	40,000
Mr. R Mohan Reddy	20,000
Mr. Y Venkata Rao	20,000

The Non-Executive Directors were paid sitting fees for attending the meetings of the Board or the Committees thereof at the rate of Rs. 4000/- per meeting.

Shareholdings of Non Executive Directors as on July 31, 2008 :

None of the Non Executive Directors hold any shares of the Company

V. Shareholders' / Investors' Grievance Committee

This committee comprises three members namely, Mr. R.Mohan Reddy as its Chairman and Mr.Y.Venkata Rao and Mr.M.Srinivas as its members. The Committee is formed for the purpose of complying with the guidelines on Corporate Governance to monitor redressal of Complaints received from the shareholders and for considering the applications for transfer of shares.

During the financial year 2007-08, the Committee met three times on June 11, 2007, October 1, 2007 & January 31, 2008



The Committee has since been re-constituted and Mr B Kishore Babu has taken the place of Mr. M Srinivas.

Compliance Officer

Ms. A. Lalita Swarup was appointed as Company Secretary and designated as Compliance Officer with effect from December 19, 2007.

Altogether 19 complaints were received during the period April 1, 2007 to March 31, 2008, 3 of them related to non receipt of Refund Orders, 1 of them related to non receipt of securities after transfer, 12 of them related to the non receipt of the Dividend and 3 related to non receipt of Annual Report. All the above complaints have been resolved, and on date of this Report, no Investor Complaint is pending.

VI Annual General Meeting

The dates, time and location of the last three Annual General Meetings are as follows:

Year	AGM	Venue	Date	Time
2004-05	21 st	B29, EEIE, STAGE II, Balanagar, Hyderabad - 500 037	30/09/2005	11.00 A.M.
2005-06	22 nd	Plot No 41, IDA, Balanagar, Hyderabad – 500 037	27/09/2006	10.00 A.M.
2006-07	23 rd	Jubilee Hills International Centre Near Jubilee Hills Check Post, Road No. 14, Jubilee Hills, Hyderabad-500 033	27/09/2007	10.00 A.M.

Special Resolutions

The following Special Resolutions were passed at the General Meetings of the Shareholders during the last 3 years.

EGM 2005 (15/11/2005): -

Amendment to Articles of Association

Approval under Section 81 (1A) of the Companies Act, 1956 approving further issue of 30 lakh equity shares of Rs. 10/- each at a premium.

Postal Ballots

No resolution was passed by postal ballot during the last three years.

VII. Other Disclosures

Related Party Transactions

Details of transactions with related parties are given below:

Non compliance and strictures

There were no instances of non-compliance by the company and imposition of penalties and strictures on the company by Stock Exchange or SEBI or any statutory authority on any matter relating to the capital markets during the last 3 years.

The company has no formal Whistle Blower Policy. However, this is to confirm that no personnel has been denied access to the audit committee.

The Company is committed to comply with mandatory and non-mandatory requirements of Clause 49 of the Listing Agreement.

VIII Means of Communication

- a. **Quarterly results** Yes, in Newspapers, website