

# Growth Focused.

Providing World Class Engineering Solutions.



The Driving Force of Indian Auto Industry



**Lokesh  
Machines Limited**

Annual Report 2021-22



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### Highlights of FY22



Revenue

**₹20,184 lakhs**



EBITDA

**₹3,058 lakhs**



Profit After Tax

**₹635 lakhs**

# GROWTH FOCUSED: PROVIDING WORLD-CLASS ENGINEERING SOLUTIONS

Lokesh Machines was founded with the objective of simplifying solutions by manufacturing state-of-the-art machinery in line with global benchmarks.

Led by our vision, we have been able to solidify our presence as one of the most trusted machine tool manufacturers across country. This is validated by the long-standing relationships we have formed with some of the biggest companies across the country.

We have achieved this through the delivery of superior and durable machines, coupled by our unmatched customer support. Going forward, our goal will be on leveraging our rich industry expertise to carve out a sustainable growth trajectory, that would enhance profitability and value for all stakeholders over the foreseeable future.







# CARVING OUT A SUSTAINABLE GROWTH TRAJECTORY

At Lokesh Machines, we are always in the process of innovation – with regards to our products as well as business plans. We are always working on devising strategies that would enable us to attain consistent growth across all our business divisions and mitigate the risk of over-dependence on any particular product or division.

Our target is to grow y-o-y and reach the ₹750 crores revenue mark in 5 years.



## Initiatives being undertaken to reach this goal

### Capital influx

We are fully aware that in order to attain our goal, we would have to significantly invest in our internal capabilities. In line with this, we have committed capex in the tune of ₹1,217 lakhs towards infrastructure up-gradation to maintain our standards of quality and track record of producing world-class products.

### Strengthening and expanding our market presence

We have already established a strong dealer network in most of the major cities across the country. In order to further deepen our presence in these geographies, we have set up parallel marketing offices to enhance efficiencies and support our dealers. In addition to this, we are also on the lookout to expand into newer geographies, that would enhance our top line over the foreseeable future.

### Improving people capabilities

We are always working to ensure that our people possess the required skills and knowledge to cater to the ever-evolving demands of our national and international customers. To attain this, training and skill development programmes are arranged for all our employees on a regular basis.

### Expanding our presence

We are placing great emphasis on reducing our dependence on any particular industry or segment. Historically, the auto sector always accounted for a significant share of our revenues. We are expanding and solidifying our presence in non-auto segments with regards to our machine tools division as well as the components division. We have already identified aerospace and internal security areas and are undertaking a slew of initiatives to foray into these segments and develop a strong foothold. We believe that our focus on entering new segments will enable us to attain diversified business growth.

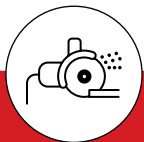
### Diversifying our product line

In our industry, innovation and up-gradation take centre stage while creating our product portfolio. Keeping up with this, we have made a few changes and have a good pipeline of new products under development. Some of the products such as multi-axis lathes and a new range of turn mills, are already being sourced by the overseas customers and are now being offered to domestic customers too.

We have also made new product refreshes in the areas of VTLs and VMCs, and are already witnessing greater traction for these products. Additionally, we are in the process of launching a renewed range of HMCs and High Speed VMCs within the current financial year.

# LOKESH MACHINES. A HALLMARK OF DEPENDENCE.

Founded in 1983, we have been able to cement our position as one of the top 5 machine tool manufacturers in the country and a well-established export presence.



## Experience

We possess 30+ years of industry experience in the metal cutting and manufacturing space. Our experience over the years has equipped us with the necessary knowledge required to mitigate any cyclical downturns, giving us a significant advantage over our peers.

**>30 years**  
Industry experience



## Manufacturing facilities

We have six state-of-the-art manufacturing units located across Hyderabad and Pune. These units have the latest equipment, supported by a team of experienced professionals, who ensure we continue to manufacture best-in-class products.

**6**  
Manufacturing units



## Product portfolio

We are involved in the manufacturing of machine tools such as CNC Lathes, Vertical Machining Centers, Horizontal Machining Centers, Vertical Turning Centers, Special Purpose Milling Machines, Line Boring Machines and Gun Drilling Machines, among others. We are also involved in the manufacturing of precision components for auto and non-auto sectors, along with jigs and fixtures.



## Export presence

Due to the consistent delivery of superior and cost-effective products, we have been able to carve out a name for ourselves among international customers, especially with regards to our CNC machines. Our CNC machines are exported to Japan, Germany, Netherlands, Italy, Turkey, Russia, China and other Middle-East countries.

**6+**  
Countries export presence



## Leadership

We are guided by an experienced Board of Directors and management team, led by Mr. Mullapudi Lokeswara Rao. They are actively involved in our daily operations and have helped us sail through multiple industry and macro developments over the years.



## Listing

We are listed on the National Stock Exchange and Bombay Exchange since 2007.



# BOASTING A DIVERSIFIED PRODUCT PORTFOLIO

## CNC Machines

- CNC Turning Centres
- Vertical Machining Centres
- Drill and Tap Centres
- Turn Mill Centres
- Vertical Turning Lathe
- Horizontal Machining Centres



## Automation

- Gantry Automation
- Robotic Automation
- 4<sup>th</sup> Axis Automation
- Customised Standard Machines



## Special Purpose Machines

- Milling Machines
- Drilling Machines
- Boring Machines
- Transfer Lines



## Auto Components

- Cylinder Blocks
- Cylinder Heads
- Connecting Rods







# POISED FOR AN EXCITING TOMORROW

## Dear shareholders,

I hope this message finds you well and all your loved ones are safe and sound.

At the outset, I would like to begin by extending my heartfelt gratitude towards the medical fraternity and governments across nations for their contribution and resilience during the COVID-19 pandemic. Due to the proactive measures undertaken by them, I am proud to say with a heave of optimism that the worst is behind us and the entire world is taking significant strides towards normalcy.

It is no secret that most businesses across the globe were affected due to the unprecedented challenges arising out of the once-in-a-century pandemic. Our business was not immune to this either and had a temporary effect on our performance as well. However, having been in business for nearly four decades, we have weathered multiple cyclical downturns and were confident that we would be able to sail through this period as well, banking our well-devised strategies, strong foundation and the emergence of sectoral opportunities.

To give a better context of how we derive this optimism, it is imperative that we discuss India's position as a major manufacturing hub. The machine tools industry is one of the major pillars of Indian engineering and was projected to be valued around ₹6,600 crores in FY22. We have witnessed a significant uptick in demand for engineering activities, coupled with the revival of the automotive sector. In lieu of these developments, the Indian machine tools industry is expected to reach a market value of ₹10,000 crores by FY23. Considering our market position and experience, we believe we are attractively placed to capitalise on this opportunity.

The improvement in the operating context was validated by our business performance as we registered a revenue of ₹20,184 lakhs, an increase of ~34%, compared to ₹15,021 lakhs. Our Profit After Tax stood at ₹635 lakhs, a substantial increase of ~60% compared to ₹396 lakhs in the previous year. This improvement in performance could be attributed to the revival of the Indian economy, especially in the automotive segment, due to the easing of COVID-19 restrictions across the country and proactive measures undertaken by all team members.

Our machine tool division and components division recorded a y-o-y growth of ~33% and ~37%, respectively.

We are now at a juncture where we intend to accelerate our growth momentum and have well-devised strategies in place. Over the past year, we had a capital outlay of ₹1,217.09 lakhs towards infrastructure up-gradation. In addition to this, we are looking to strategically deepen and expand our market presence, along with improving the capabilities of our people through dedicated training programmes.

If there is something that we pride ourselves on, it is how proactively we are able to meet the evolving demands of all our customers. We will continue to do so by making consistent improvements in our product line and enter new segments to reduce any sort of over-dependence on any particular segment or industry. As of March 31, 2022, we possessed an order book of ₹150 crores, and we expect to sustain these levels over the coming years as well. As a result of the multitude of initiatives undertaken, coupled with our market experience, we expect to grow by 3.5x over the next five years to cross the ₹750 crores revenue mark.

We have embedded sustainability as a part of our broad strategic pillars and place emphasis on sharpening our Environment, Social and Governance (ESG) focus. Guided by our experienced Board of Directors, we are striving to reach the levels of industry benchmarks. We have also put in place targets that are a testimony of our continued commitment to sustainability. As we move through the new normal, our focus on sustainability and ESG remain strongest to the core.

Lastly, on behalf of the Board of Directors. I would like to thank all our stakeholders for their undeterred support, irrespective of the market scenario. It is because of your support that we were able to navigate through every challenge that was thrown at us. As we gear up for a sustainable future, I can assure you that we will continue being an organisation that everyone can be proud of.

**Mr. Mullapudi Lokeswara Rao**  
Managing Director



The Indian machine tools industry is expected to reach a market value of ₹10,000 crores by FY23. Considering our market position and experience, we believe we are attractively placed to capitalise on this opportunity.

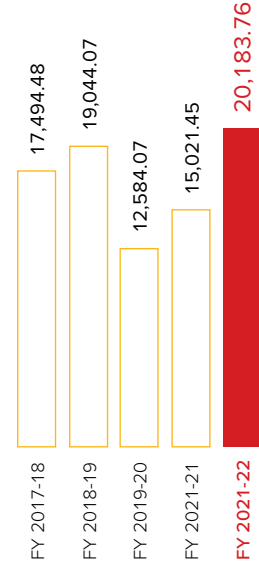




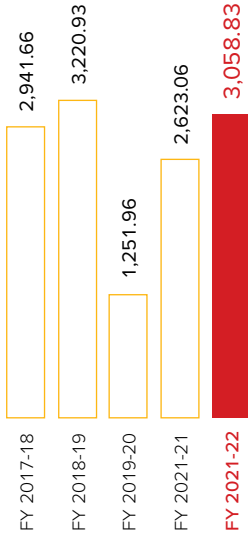
# DELIVERING A ROBUST PERFORMANCE

## Financial

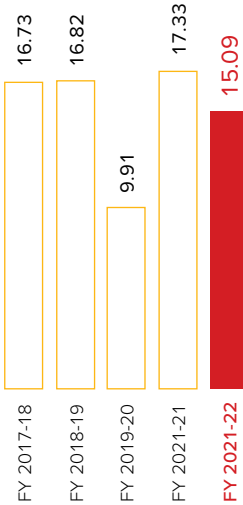
### Revenue from Operations (in ₹ lakhs)



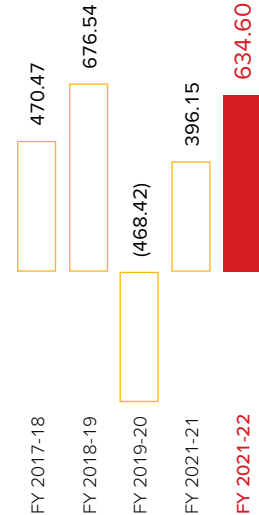
### EBITDA (in ₹ lakhs)



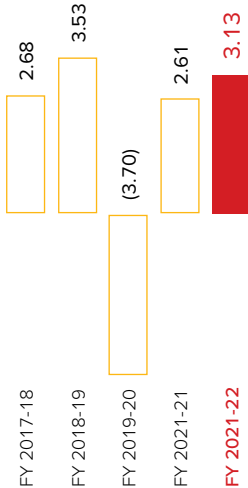
### EBITDA Margin (%)



### Profit After Tax (in ₹ lakhs)

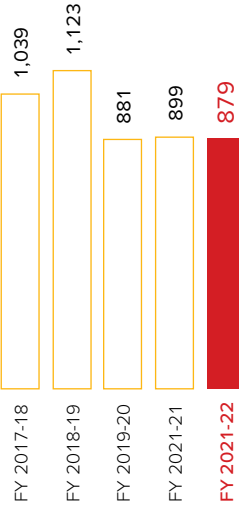


### Profit After Tax (PAT) margin (%)

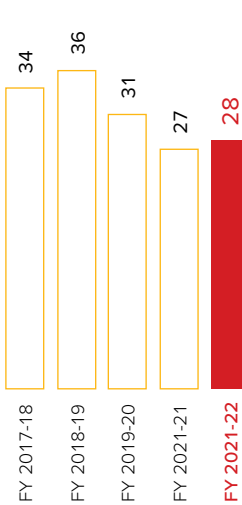


## Non-financial

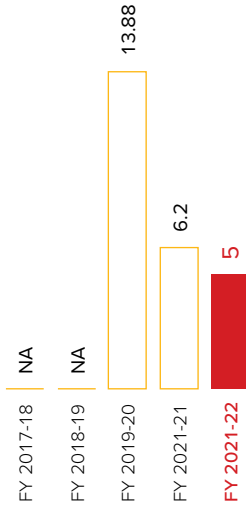
### Employees (nos.)



### Women employees (nos.)



### CSR spend (in ₹ lakhs)





# LOKESH MACHINES: A RESPONSIBLE CORPORATE

We believe that the success of a business is not solely defined by the numbers it generates, but rather by the transformative impact it has on all its stakeholders at large. We place great focus on integrating responsible business practices to ensure we are able to bring about a positive impact on all fronts.

## Environment

We are always working towards ensuring that we adopt greener practices to reduce our carbon footprint. With regards to this, we have undertaken a slew of sustainability practices towards the conservation of water, power and reduction in landfill waste. These are regularly tracked under all Model Risk Management (MRM) guidelines, and we have been able to make significant improvements in this regard.



## Communities

We believe it is the responsibility of every organisation to work towards uplifting the communities it is involved with. At Lokesh Machines, we place great emphasis in the area of neighbourhood development in and around the areas of our manufacturing facilities. In addition to this, we also collaborate with NGOs and provide financial assistance towards healthcare and midday meal programmes.

**₹5 lakhs**  
CSR spend in  
FY22

## Employees

We have always reiterated that our employees are the biggest drivers of our success over the years. Our focus has always been on harbouring a safe and inclusive work environment for all our employees. During the year, we prioritised the health and safety of our employees while maintaining continuity of our business operations. In addition to this, we heavily invest in learning and development programmes to create a future-ready leadership pool, while simultaneously equipping them with relevant skills and abilities.







# UPHOLDING THE HIGHEST STANDARDS OF GOVERNANCE

Good governance is one of our main priorities and we strongly believe in implementing good corporate governance across all the verticals of the organisation. We are an ethical company and have a robust corporate governance framework in place to ensure effective engagement with all our stakeholders and enable us to deliver long-term value.

We have a strategically sorted governance framework in place adequately comprising of Independent Directors, Nominee Directors and Promoter Directors as well as the constitution of the committees of the Board of Directors, as required under applicable laws. We strive to ensure that we maintain the highest levels of transparency, accountability, awareness and equity in all aspects of operations.

Since we are a listed company, we have to comply with the applicable provisions of the Listing Regulations, as amended with respect to Corporate Governance, including the appointment of the Independent Directors and constitution of the committees. The Board of Directors function either as a full Board or through various committees formed to monitor specific operational areas. We continually focus on designing and improving the flow of activities in an effective manner, which ensures economic prosperity and long-term value creation for the enterprise as well as for the stakeholders.

**300+ years**  
Cumulative experience  
of the Board

## Board of Directors



**Mr. Mullapudi Lokeswara Rao**  
Managing Director



**Mr. B. Kishore Babu**  
Whole-time Director



**Mr. M. Srinivas**  
Whole-time Director



**Mr. M. Srikrishna**  
Whole-time Director



**Mr. B. R. Mahesh**  
Independent Director



**Mr. S. S. Raman**  
Independent Director



**Mr. D. Balaji**  
Independent Director



**Ms. M. Likhitha**  
Non-executive Director



**Mr. K. Krishna Swamy**  
Non-executive Director

A → Audit Committee  
N → Nomination & Remuneration Committee  
S → Stakeholder & Relationship Committee

Chairperson  
 Member





# BOARD'S REPORT

Dear Share Holders,

Your Directors are pleased to present the 38<sup>th</sup> Annual Report of the company along with the Audited financial Statements for the financial year ended March 31, 2022.

## 1. FINANCIAL RESULTS

(₹ in lakh)		
Particulars	(2021-22)	(2020-21)
Revenue from Operations	20183.76	15,021.45
Other Income	82.20	132.17
<b>Total Income</b>	<b>20265.95</b>	<b>15,153.62</b>
<b>Total Expenses</b>	<b>19330.72</b>	<b>14611.56</b>
<b>Profit before Exceptional items &amp; Taxes</b>	<b>935.24</b>	<b>542.06</b>
Tax Expenses Less:		
(i) Current Tax	156.11	90.50
(ii) Provision for earlier tax	25.30	0
(iii) Deferred Tax	119.23	55.41
<b>Profits/ (Loss) after Taxes</b>	<b>634.60</b>	<b>396.15</b>
<b>Earnings Per Equity Share:</b>		
<b>Basic</b>	<b>3.55</b>	<b>2.21</b>
<b>Diluted</b>	<b>3.55</b>	<b>2.21</b>

## 2. PERFORMANCE REVIEW:

The overall turnover increased by over 34.37%, during the year.

- During the year, the Company recorded Revenue from Operations by way of Net Sales of ₹20183.76/- lacs as compared to ₹15,021.45/- lacs in 2020-21, an increase of about 34.37%.
- The Machine Tool Division has registered a growth of around 32.87 % in terms of sales value as compared to the previous year; primarily lead by the General Purpose machinery division which itself showed a sharp growth of around 44.42.% as compared to previous year. SPM Machines sale has shown a slight decrease in comparison to previous financial year.
- The Component division has seen an increase of 37.17% in comparison to previous year.
- The overall increase in Turnover and the profit by the Company was due to the marginal growth of the economy especially in Auto sector after reduction of COVID-19 related restrictions. The Company is continuously putting its efforts towards achieving its sales and profit targets and your directors are confident that the same will be achieved in near future despite challenges posed by COVID-19.

## 3. DIVIDEND

Due to the inadequacy of profit and to meet the expansion requirements, your directors regret that they are unable to recommend any dividend for the financial year ended March 31, 2022.

## 4. TRANSFER TO GENERAL RESERVE

The Company does not propose to transfer any amount to General Reserve for the financial year 2021-22.

## 5. SHARE CAPITAL

The paid-up Equity Share Capital as on March 31, 2022 was ₹1789.67 Lakhs.

## 6. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

## 7. CHANGE IN THE NATURE OF BUSINESS

There has been no change in the nature of business of the Company.

## 8. DIRECTORS AND KEY MANAGERIAL PERSONNEL

### a) Composition

The Corporate Governance Report annexed to this Board's Report contains the composition of the Board of Directors of the Company.

During the year, Mr. M. Krishna Swamy, Director of the company retires by rotation at the ensuing Annual General Meeting, and being eligible offer himself for re-appointment.

Mr. S.S. Raman, has been appointed as an Additional cum Independent Director at the board meeting held on August 11, 2022 and his appointment is to be confirmed by the Shareholders at the ensuing Annual General Meeting.

Mr. R. Mohan Reddy ceased to be an Independent Director due to his demise w.e.f. May 20, 2022.

The detailed profile of the above directors is given at Notice and Explanatory statement calling the Annual General Meeting.

As required by SEBI (LODR) Regulations, 2015 with the Stock Exchanges, the information on the particulars of the Directors seeking appointment & re-appointment is given in the notice to the AGM.

Mr. M. Lokeswara Rao, Managing Director, Mr. V. Sudhakara Reddy, Chief Financial officer, Mr. Gurprit Singh Company Secretary hold the office of Key Managerial Personnel. Mr. M. Srinivas, Mr. M. Srikrishna and Mr. B. Kishore Babu hold the office of Whole-time Director.

### b) Noting of Appreciation of Services:

Mr. R. Mohan Reddy ceased to be an Independent Director due to his untimely demise. The board condoles his passing away and appreciate the valuable contribution made by him during his tenure on the Board as Director of the Company.

### Independent Directors

The Independent Directors have fulfilled the criteria of Independence as defined under Section 149 (6) and requisite declarations in terms of Section 149(7) of the Companies Act, 2013 have been received.

During the year under review a separate meeting of independent directors was held on March 28, 2022. A separate meeting of Independent Directors of the Company, without the attendance of Non-Independent Directors, was held during the year, as required under Schedule IV to the Companies Act, 2013 (Code for Independent Directors) and Regulation 25 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Meeting was attended by Mr. B.R. Mahesh and

Mr. R. Mohan Reddy and leave of absence was granted to Mr. D. Balaji. All the directors of the Company have disclosed their interest to the Company pursuant to Sec 184(1) of Companies Act, 2013. Mr. S. S. Raman was appointed as an Additional cum Independent Director by the Board at their meeting held on August 11, 2022. In the opinion of Board, Mr. Raman is a person of integrity and has more than 37 years of Experience in organizations such as TATA Motors, Birla Yamaha Limited, Whirlpool of India Limited, TVS Electronics Limited. He retired as Managing Director of TVS Electronics Limited and was Executive Director in Whirlpool of India Limited. He has exposure of various areas including Sales, Marketing and Service besides core of Manufacturing, Technology and SCM, exposed to International business and alliance in global procurement. Further, he is exempted from passing Online proficiency self-assessment test pursuant exemption provided in proviso of sub-rule 4 of rule 6 of Companies (Appointment and Qualifications of Directors), 2014.

## 9. BOARD MEETINGS

During the year, 7 meetings of the Board of Directors were held. The details of the meetings are furnished in the Corporate Governance Report which is attached to this report.

## 10. COMPANY'S POLICY RELATING TO DIRECTORS APPOINTMENT, PAYMENT OF REMUNERATION AND DISCHARGE OF THEIR DUTIES

The provisions of Section 178(1) of the Companies Act, 2013 relating to constitution of Nomination and Remuneration Committee are applicable to the Company and hence, the Company has devised a policy relating to appointment of Directors, payment of managerial remuneration, Directors qualifications, positive attributes, independence of Directors and other related matters as provided under Section 178(3) of the Companies Act, 2013. The said policy is posted on the Company's website [www.lokeshmachines.com](http://www.lokeshmachines.com).

## 11. AUDITORS

### a) Statutory Auditors

As per the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 (the Act), and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and pursuant to recommendation of the Audit Committee and the Board of Directors, M/s. Brahmayya & Co., Hyderabad (ICAI Firm Regn. No.000513S) has been proposed to be appointed as Statutory Auditors of the Company at the ensuing Annual General Meeting for a term of five years i.e. from conclusion of 38<sup>th</sup> Annual General Meeting till the conclusion of 43<sup>rd</sup> Annual General Meeting at such