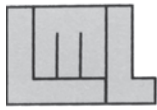


**ANNUAL REPORT
2010-2011**



**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 Brahmaya & 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 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 notwithstanding 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
Date : August 12, 2011

K. Durgadas Maiya
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 Meeting.
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 integration 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 Directorships	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

Explanatory Statement under Section 173(2) of the Companies Act, 1956

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 from 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-I-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.

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. Brahmaya & 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:

Your Company has been allotted 50.00 acres of land at Automotive Park, Toopran Mandal, Medak District, Andhra Pradesh by Andhra Pradesh Industrial Infrastructure Ltd (APIIC) to setup an auto component and machine tool manufacturing unit.

Your company is also going for the expansion of the existing manufacturing unit located at Plot No 41, IDA Balanagar, Hyderabad, with this, the products would be competitive in cost and quality and this will help the company to cater to the increasing market demand for these products. Your company has also started the commercial production of auto components (cylinder blocks) at the manufacturing plant located at Ranjangoan, Pune as per the requirements of Mahindra & Mahindra Ltd.

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

B Kishore Babu **M Lokeswara Rao**
(Executive Director) (Managing Director)

Place: Hyderabad.

Date: August 12, 2011

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, 2011.

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 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 Machines required for General Engineering Industry.
2. Benefits derived as a result of the above R & D: Improving operational efficiency of the Company.
3. Future plan of action: Commercialization of the above products.
4. Expenditure on R & D:
 - (a) Capital : NIL
 - (b) Recurring : 42.85 lakhs
 - (c) Total: 42.85 lakhs
 - (d) Total R & D expenditure as a percentage of total turnover: 0.29 %

Foreign Exchange Earnings and Outgo

(i) Foreign Exchange Earnings	:	Rs. 165.72 Lakhs
(ii) Foreign Exchange Outgo:		
For Capital Goods	:	Nil
For Components on FOB basis	:	Rs. 516.35 lakhs
Towards Foreign Travel	:	Rs. 12.82 Lakhs

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The management presents the analysis of performance of your Company for the year 2010-11 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

Global economy continued to recover from the worst financial crisis of this age through the year 2010. This trend is expected to continue in 2011 although with higher macroeconomic uncertainty. Changing economic and business conditions and rapid technological innovation are creating an increasingly competitive market environment that is driving corporations to transform their operations.

As per data available from the Indian Machine Tool Manufacturers Association, the machine tool industry had an overall increase in demand in 2010-2011. The Company expects slow down in the growth of the Industry and the Government sources also indicate the same. However the Company has a strong order book and hence is expected to do well unless some exceptional circumstances arise in the global and Indian markets. During the first quarter the Company has achieved a growth of 40% in its turnover when compared to the turnover for the same period in the previous year.

Opportunities and Threats

The machine tool industry has coped well across the globe after the market downturn. As we are experiencing an upturn in Indian economy and as a result of large order inflows caused by the resurgence of the economy and the boom in the automobile and auto components industries, growth in the Machine Tool Industry is expected to rise higher in 2011-12.

However, there are several challenges. Future production capacities need to be scaled up to meet demand and the product base widened to cater to the aerospace, defence and automotive sectors. Funding is another big challenge: not many banks are ready to extend finance, while competition from free trade agreements (FTAs) and WTO sectoral negotiations may affect the industry

Segment –wise Performance

The company is primarily engaged in Machine Tools manufacturing activity. The company is managed professionally and has 27 years of rich experience in Design, Development, Production, Supply of Machine Tools, Jigs, Fixtures and Accessories needed for Precision Engineering. The company's strong determination, financial strength is uniquely poised to effectively avail all opportunities and create new ones going forward.

Risks and Concerns

A comprehensive and integrated risk management framework forms the basis of all the de-risking efforts of the Company. Formal reporting and control mechanisms ensure timely information availability and facilitate proactive risk management. These mechanisms are designed to cascade down to the level of the line managers so that risks at the transactional level are identified and steps are taken towards mitigation in a decentralized manner.

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 Committee reviews the Audit observations and follows up on the implementation of the suggestions and remedial measures and also recommends increased scope of coverage, wherever necessary.

Human Resources and Industrial Relations

Employees are the key resource for the Company. The Company has been focusing on creating a favorable work environment that encourages innovation and meritocracy. The company follows certain policies for its employee's safety.

During the year under review industrial relations were cordial and pro-active and all employees supported productivity and process improvement measures undertaken at all the functions of the Company.

The staff strength of the Company as on 31st March, 2011 was 1598 (including trainees, employees on contract).

Financial Overview during the Year:

During the year under review, there has been an increase in the Company's turnover – the net sales increased by 51.19 % compared to the previous year. The Company has recorded profits after taxes of Rs 708.52 Lakhs as compared to the previous figure of Rs 404.63 Lakhs for the year under review.

Towards the last quarter of the current year, there has been significant improvement in the performance of the Company. If this continues the Company can be expected to do well in the year 2011-12.

The optimistic outlook about the company's continued growth in the years to come enabled the Board to declare a dividend of 10% to its equity shareholders.

Outlook

The Company believes that the current trends in both domestically and international markets present unprecedented opportunity for growth. The Company is well poised to exploit the emerging opportunities both in India and global market.

The company has an extremely healthy order backlog and therefore is expected to have substantial growth in 2011-2012.

Cautionary Statement:

Statements in the Management's Discussions and Analysis report describing the Company's projections or predictions may be 'forward-looking statements' within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied.

REPORT ON COMPLIANCE OF CORPORATE GOVERNANCE

In compliance with Clause 49 of the Listing Agreement, entered with the stock exchanges in India, your Company hereby provides, to the shareholders, the report on Corporate Governance.

I. Company's Philosophy on Corporate Governance:

The Company strongly believes that the system of corporate governance protects the interest of all the stakeholders by inculcating transparent business operations and accountability from management towards fulfilling the consistently high standard of corporate governance in all facets of the company's operations.

The company contemplates in adopting and adhering to the corporate governance practices and focus continuously on raising the standards of corporate governance and upgrading its practices.

Your company confirms the compliance of corporate governance, the details of which are given below:

II. Board of Directors

Composition of the Board:

The Company's policy is to maintain optimum combination of executive and independent directors on its board. The Directors are having wide range of expertise and experience in diverse fields which bring the company wide range of skills.

The Company's Board of Directors comprises of 9 directors. Four are Executive Directors and balance members are Non-Executive Directors, out of which three members were Independent directors.

The Company has a Non-Executive and Independent Chairman, Managing Director and Whole-time Directors. The Managing Director and other Whole-time Directors are responsible for the conduct of the business and the day-to-day affairs of the Company.

During the year under review, Five Board Meetings were held on 15th May, 2010; 14th August, 2010; 14th November, 2010; 14th February, 2011 and 17th March, 2011.

The details of composition of the Board along with category of Directors, attendance of Directors at Board Meetings & annual general meeting and also the details of other directorships and memberships of committees in other companies are as follows:

Name of the Director	Attendance Particulars			No. of other Directorships and Committee Memberships/Chairmanships		
	Board Meetings during their directorship		Last AGM	Other# Directorships (Public Companies)	Committee Memberships	Committee Chairmanships
	Held	Attended				
Mr. Lokeswara Rao Managing Director Promoter-Executive Director	05	04	Yes	2	1	Nil
Mr. B. Kishore Babu Promoter-Executive Director	05	04	Yes	2	1	1
Mr. M. Srinivas Promoter-Non Executive Director	05	05	No	2	1	Nil
Mr. Srikrishna Promoter-Executive Director	05	03	No	Nil	Nil	Nil
Mr. K. Krishna Swamy Non- Promoter, Executive Director	05	02	Yes	Nil	Nil	Nil
Mr. B.R.Mahesh Independent Non Executive Director	05	04	Yes	1	Nil	Nil
Mr. R. Mohan Reddy Independent Non Executive Director	05	05	Yes	1	3	1
Mr. M. Hariprasada Rao ^ Independent Non Executive Director	03	03	No	1	Nil	Nil
Dr. Y. Satyanarayana* Independent Non Executive Director	02	02	No	Nil	Nil	Nil

Note:

- * Retired from the directorship of the Company on September 28, 2010.
- ^ Appointed as Director w.e.f. September 28, 2010.
- # Number of Directorships in other Companies excludes Directorships in foreign Companies, Private Companies and Companies under Section 25 of the Companies Act, 1956
- @ Ms. Bhavana Rao, nominee of IFCI Venture Capital Fund Limited as Additional Director of the Company on 02.07.2011.

Information on Directors appointment / re-appointment as required under Clause 49 VI (G) of the Listing Agreement with stock exchanges is given in the notice to the AGM.

To enable better and more focused attention on the affairs of the company, the Board delegates particular matters to Committees of the Board set up for the purpose. At present the Board has constituted three Committees consisting members of the Board.

These committees facilitate timely and efficient deliberations and decisions. These committees function within their defined terms of reference in accordance with the Companies Act, 1956; the listing Agreement entered with stock exchanges where the shares of the company were listed in India and as approved by the Board of Directors of the company.

None of the directors on the Board is a member of more than ten committees nor was the chairman of more than five committees across all companies in which they are directors.

Details of the Committees and other related information are provided hereunder:

III. Audit Committee

a) Brief description and terms of reference

The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreements with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

The terms of reference of the Audit Committee are comprehensive and cover the matters specified for audit committees under the Listing Agreements with stock exchanges. The Committee provides the Board with additional assurance as to the adequacy of Company's internal control systems and financial disclosures.

b) Composition

The Audit Committee of the Company comprises of two Non-executive Independent Directors and one Non-executive Non-Independent Director. The Company Secretary of the Company acts as a secretary to the Committee. The Managing Director and the Finance Manager are permanent invitees to this Committee. The Statutory Auditors and Internal Auditors are invited to attend the Audit Committee Meeting.

The Committee comprises of:

1. Mr. B R Mahesh - Chairman
2. Mr. M Srinivas - Member and
3. Mr. R Mohan Reddy - Member

The committee has been reconstituted on November 5, 2010 with Mr. M Srinivas appointed to fill up the vacancy arising on cessation of Mr. Y Satyanarayana as a Director.

c) Meetings and attendance during the year

During the period under review four Audit Committee Meetings were held on 15th May, 2010; 14th August, 2010; 14th November, 2010 and 14th February, 2011.

The details of attendance of members of the Committee during the year are given below:

S-No.	Name of the Member	Number of meetings held during the tenure	Numbers of meetings attended
1	Mr. B R Mahesh	4	3
2	Mr. R Mohan Reddy	4	4
3	Dr. Y Satyanarayana	2	2
4	Mr. M Srinivas	2	2

The Chairman of the Audit Committee was present at the last Annual General Meeting of the company.

IV Remuneration Committee

a) Brief description and terms of reference

To formulate the remuneration policy and approve the remuneration or revision in the remuneration payable to Executive Directors/Whole time Directors.

b) Composition

The Remuneration Committee comprises of three Independent Directors as follows:

1. Mr. M Hariprasada Rao - Chairman,
2. Mr. B R Mahesh – Member and
3. Mr. R Mohan Reddy – Member

Dr. Y Satyanarayana ceases to be chairman and member of Remuneration Committee on cessation as a Director of the Company and Mr. M Hariprasada Rao was inducted in his place w.e.f. November 14, 2010.

During the period under review, the Committee has met once, on June 28, 2010. The details of attendance of members of the Committee during the year are given below:

S-No.	Name of the Member	Number of meetings held during the tenure	Numbers of meetings attended
1	Dr. Y Satyanarayana	1	1
2	Mr. B R Mahesh	1	1
3	Mr. R Mohan Reddy	1	1
4	Mr. M Hariprasada Rao	Nil	Nil

c) Remuneration Policy

To recommend/review the remuneration package, periodically, to the Executive Directors. The remuneration payable to them is in accordance with the existing industry practice and also with the provisions of the Companies Act, 1956.

d) 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	PF	Other Allowance	Commission	Total
Mr. M. Lokeswara Rao (Managing Director)	33.00	0.09	-	11.98	45.07
Mr. B. Kishore Babu Executive Director	18.00	0.09	-	-	18.09
Mr. K. Krishna Swamy Executive Director	4.80	-	-	-	4.80
Mr. M. Srikrishna Executive Director	18.00	0.09	-	-	18.09

e) **Remuneration paid to Non Executive Directors**

At present, all the Non-Executive Directors receive remuneration only by way of sitting fees for attending the meetings of the Board and Committee thereof.

The details of remuneration paid to all the Non-Executive Directors for the year 2010-11 is given below:

Name of Director	Sitting Fees paid (Rs)
Mr. B R Mahesh	64000
Mr. R Mohan Reddy	88000
Mr. M Srinivas	56000
Mr. M Hariprasada Rao	24000
Dr. Y Satyanarayana	40000

The fees payable for attending the meetings of the Board or the Committees thereof is Rs. 8000 /- per meeting.

f) **Shareholdings of Non Executive Directors as on March 31, 2011:**

Mr. B R Mahesh, Mr. R Mohan Reddy, Dr Y Satyanarayana, and Mr. M Hariprasada Rao, the Non Executive and Independent Directors of the company do not hold any shares of the Company. Mr. M Srinivas Promoter and Non executive Director holds 1,009,906 equity shares.

V. **Shareholders'/ Investors' Grievance-Committee**

The Committee meets at frequent intervals, to approve inter-alia, transfer / transmission of shares, issue of duplicate share certificates and review the status of investors' grievances and redressal mechanism and recommend measures to improve the level of investor services.

The Company maintains continuous interaction with the said R&T Agents and takes proactive steps and actions for resolving complaints/queries of the shareholders/investors.

This committee consists of three members namely:

1. Mr. R. Mohan Reddy - Chairman
2. Mr. M Srikrishna – Member and
3. Mr. B Kishore Babu – Member

During the financial year 2010-11, the committee met one time on May 15, 2010. The details of attendance of members of the Committee during the year are given below:

S-No.	Name of the Member	Number of meetings held during the tenure	Numbers of meetings attended
1	R. Mohan Reddy	1	1
2	Mr. M Srikrishna	1	1
3	Mr. B Kishore Babu	1	1

Compliance Officer

The Board has appointed Mr. K Durgadas Maiya, the Company Secretary as Compliance Officer.

The designated e-mail id of the grievance redressal division of the company is - investorinfo@lokeshmachines.com.

Details of Investor's Complaints:

There were no complaints pending at the beginning of the year, the Company has received 9 Complaints during the year with regard to non - receipt of dividend amount. The company resolved all of them during the year under review. There are no outstanding complaints as on 31st March, 2011.

VI General Meetings:

Details of the location and time of the General meetings are as follows:

Year	AGM	Venue	Date	Time
2007-08	24 th	Jubilee Hills International Centre Near Jubilee Hills Check Post, Road No. 14, Hyderabad-500 033.	27/09/2008	10:30 A.M.
2008-09	25 th	Jubilee Hills International Centre Near Jubilee Hills Check Post, Road No. 14, Hyderabad-500 033.	30/09/2009	02:30 P.M.
2009-10	26 th	Jubilee Hills International Centre Near Jubilee Hills Check Post, Road No. 14, Hyderabad-500 033.	28/09/2010	10.30 A.M.

Special resolutions

All resolutions moved at the Annual General Meeting were passed by a show of hands by the requisite majority of members attending the meeting. The following are the special resolutions passed at the previous General meetings held in the last three years:

AGM held on	Whether special resolution passed	Summary of the resolution
28-09-2010	Yes	Re-appointment of Mr. M. Lokeswara Rao as Managing Director for a period of five years w.e.f. 01-10-2010.

Extra-Ordinary General Meetings:

No Extra-Ordinary General Meeting was held during the year under review.

Postal Ballot:

The company has not passed any resolution through postal ballot during the last year. Presently, the Company is not proposing to pass any special resolution through postal ballot.

VII. Other Disclosures

Related Party Transactions

No transaction of material nature was entered into by the Company with the related parties i.e, Directors or the management, their subsidiaries or relatives conflicting with the Company's interest. Transactions with the related parties are disclosed in notes to accounts in the Annual Report.

Disclosure of Accounting Treatment:

The Company has followed the accounting standards notified under Companies (Accounting Standards) Rules, 2006 in the preparation of its financial statements.

Details of non-compliance etc

There has been no instance of non-compliance with any legal requirements nor have there been any strictures imposed by any stock exchange, SEBI on any matters relating to the capital market over the

last three years. A Statement of Compliance with all laws and regulations as certified by the Managing Director and Company Secretary is placed at periodic intervals for review by the Board.

Whistle Blower Policy:

The Company has not established a whistle blower policy. We further affirm that during the year 2010-11 no personnel have been denied access to the Audit Committee.

Code of Conduct

The Company has adopted the Code of Conduct which is applicable to the members of the Board and top management of the Company. The Code of Conduct is available on the Company's website. All directors and senior management personnel have affirmed compliance with the code of conduct and submitted declarations in this behalf for the year ended 31st March 2011.

Proceeds from public issues, rights issues, preferential issues etc.,

During the financial year ended March 31, 2011, there were no proceeds from public issues, rights issues, preferential issues, among others.

Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause:

The Company has complied with all the mandatory requirements of the Clause 49 of the Listing Agreement.

Compliance with Non-Mandatory requirements:

The Company complied with the following non-mandatory requirements:

- (i) The Board – The Company has ensured that the persons who are being appointed as an Independent Director has the requisite qualifications and experience which would be of use to the Company and contribute effectively to the Company. The Suggested tenure of Independent Directors is yet to be implemented.
- (ii) Remuneration Committee – The Company constituted a Remuneration Committee. A detailed note on it is provided in the Remuneration Committee section.
- (iii) Shareholder Rights – The Company publishes its results on its website i.e, www.lokeshmachines.com which is accessible to the public at large. The Company's results for each quarter are published in an English newspaper having a wide national circulation and also in a Telugu newspaper having a wide circulation in Andhra Pradesh. Hence, half-yearly results are not sent to the shareholders individually.
- (iv) Audit qualifications – During the period under review, there is no audit qualification in company's financial statements. The Company continues to adopt best practices to ensure regime of unqualified financial statements.
- (v) Training of Board members – The Company is yet to evolve a plan to train the Board members.
- (vi) Mechanism for evaluating Non-Executive Board members – **Yet to evolve**

As regards other non-mandatory requirements, the Board has taken cognizance of the same and may consider adopting them as and when deemed appropriate.

The Board will adopt the "Corporate Governance Voluntary Guidelines, 2009" as and when deemed appropriate.

VIII Means of Communication

The quarterly/half-yearly/annual financial results of the Company are sent to the stock exchanges immediately after they are approved by the Board.

The quarterly/half-yearly/annual financial results of the Company are published in Business Standard / Financial Express and Andhra Prabha within 48 hours of the conclusion of the Board meeting.

The Company's website www.lokeshmachines.com contains a separate dedicated section "Investors Relations" where latest information for shareholders is available. The quarterly/half-yearly/annual financial results of the Company are simultaneously posted on the website. The Company's website also displays official news releases related to the activities of the Company.

No presentations were made to any Analysts during the year 2010-11.

IX General Shareholder Information

a. Annual General Meeting

Date, time and venue of Annual General Meeting	September 30, 2011, 4.30 PM, Jubilee Hills International Centre, Near Jubilee Hills Check Post, Road No. 14, Hyderabad - 500 033
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b. Financial Calendar (Tentative)

1st April to 31st March	<ul style="list-style-type: none"> a) Annual General Meeting : September 30, 2011 b) Results for the quarter ending June 30, 2011 : on and before 15th August, 2011 c) Results for the quarter ending September 30, 2011 : on or before 15th November, 2011 d) Results for the quarter ending December 31, 2011: on or before 15th February, 2012 e) Results for the quarter ending March 31, 2012: on or before 15th May, 2012
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c. Date of Book Closure (both days inclusive)

September 26, 2011 to September 30, 2011 both days inclusive

d. Dividend Payment Due Date (10% dividend recommended by the Board of Directors)

On or before 30-10-2011

e. Listing on Stock Exchanges

<p>The Bombay Stock Exchange Limited P.J. Towers, Dalal Street, Mumbai – 400001</p> <p>The National Stock Exchange of India Limited Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400051</p> <p>Annual Listing fees have been paid for both BSE & NSE.</p>
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Liquidity

The shares of the company are listed in the BSE and NSE and are frequently traded.

- f. Stock Code 532740 (BSE)
LOKESHMACH (NSE)
- g. Dematerialisation of shares and liquidity
The Company's equity shares are available for dematerialization on both the Depositories i.e.
1. The National Securities Depository Ltd
Trade World, Kamala Mills Compound,
Senapati Bapat Marg, Lower Parle
Mumbai – 400013
 2. Central Depository Services (India) Ltd
Phiroze Jeejeebhoy Towers, 28th Floor
Dalal Street, Mumbai – 400023
- The International Securities Identification Number (ISIN) allotted to the Company's scrip is
ISIN: INE397H01017.
- 93% of equity shares are held in dematerialised form as on March 31, 2011.
- h. Registered Office
Address (for correspondence) B-29, EEIE, Stage II
Balanagar, Hyderabad – 500 037
- i. Registrar and Share Transfer Agent's Contact Address
Kavy Computershare Pvt. Ltd.
Plot No.17-24 Vittalrao Nagar,
Madhapur, Hyderabad - 500 081
Tel No.040-44655000, Fax No.040-23420814,
Toll Free No.1800-3454-001
E-mail: einward.ris@karvy.com
Web Site: www.karvy.com
- Note: Shareholders holding shares in electronic mode should address all correspondence to their respective depository participants
- j. Share transfer system
Shares lodged for physical transfer at the Registrar's address are normally processed within a period of 15 days from the date of lodging, if the documents are clear in all respects. The shares duly transferred would be dispatched to the concerned shareholders within a week from the date of approval of transfers by the Share Transfer Committee.
- k. Details of Compliance Officer
Mr. K. Durgadas Maiya
Company Secretary and Compliance Officer
Lokesh Machines Limited
B-29, EEIE Stage-II Balanagar, Hyderabad-500 037,
Andhra Pradesh, India.
Phone : (040) 23079310 /311/312 /313
Fax: (040) 23078274 cosecy@lokeshmachines.com
investorinfo@lokeshmachines.com

I	Plant locations	Temple Road, Bonthapally, Medak District, Andhra Pradesh
		B – 25 & 36, EEIE, Stage II, Balanagar, Hyderabad, Andhra Pradesh
		B – 15 & 17 EEIE, Stage II, Balanagar, Hyderabad, Andhra Pradesh
		Ravalkol village, Medchal Mandal. Rangareddy Distt, Andhra Pradesh
		Plot No 41, IDA Balanagar, Hyderabad
		Plot No D260/1 Ranjangaon Industrial Area, MIDC, Shirur, Pune, Maharashtra

During the financial year 2010-11, the Company has not issued any GDRs/ADRs and there are no outstanding warrants or convertible instruments as on March 31, 2011.

Corporate Ethics:

The company adheres to high standards of business ethics, compliance with various statutory and legal requirements and commitment to transparency in business dealings.

The company has adopted a Share Dealing Code in accordance with the SEBI (Prohibition of Insider Trading) Regulations, 1992 (as amended) for prevention of insider trading by its Management, Staff and Directors. The code is applicable to all Directors, Designated Employees and their Dependents.

The code lays down guidelines and procedures to be followed and also disclosures to be made by the Directors and Designated Employees while dealing with shares of the company. They are prohibited from dealing in securities of the company during the “Restricted Trading Periods” notified by the company from time to time.

The said code has been circulated to all the concerned persons. The Company Secretary of the company is appointed as Compliance Officer and is responsible for adherence to the code.

Compliance Certificate of Auditors:

The company has obtained a certificate from the statutory auditors confirming the compliance with the conditions of corporate governance as stipulated in clause – 49 which is attached to this report.

Distribution of shareholding as on March 31, 2011

S.No	Category	Numbers of shareholders	% of shareholders	Number. of shares	% of shares
1.	1 - 5000	11999	90.20	1425404	12.10
2	5001-10000	652	4.90	538475	4.57
3.	10001-20000	293	2.20	440170	3.73
4.	20001-30000	124	0.93	319749	2.71
5.	30001-40000	47	0.35	170222	1.44
6.	40001-50000	34	0.25	162892	1.38
7.	50001-100000	58	0.43	406804	3.45
8.	100001 & Above	95	0.71	8313684	70.59
	Total	13,302	100	1,17,77,400	100

Shareholding pattern as on March 31, 2011

Category	No of Shareholders	Total Shares	% of Equity
Promoter & Promoter Group	40	6450635	54.77
Resident Individuals	12284	3883277	32.97
Bodies Corporate	325	798247	6.77
Indian Institutional Investors	1	370000	3.14
H U F	501	165034	1.40
Non Resident Indians	115	80065	0.67
Trusts	1	49	0.0004
Clearing Members	35	30093	0.25
Total	13,302	1,17,77,400	100%

Market price data

The Company's shares are traded on The Bombay Stock Exchange and The National Stock Exchange of India Limited.

Monthly high and low quotations of equity shares traded on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) for 2010-11 were as follows:

Market Price and Index Data High, Low during each month in Last financial year

Months	Lokesh Machines (BSE)		SENSEX		Lokesh Machines (NSE)		S&P CNX NIFTY	
	High	Low	High	Low	High	Low	High	Low
Apr 10	59.80	46.80	18,047	17,276	59.75	46.6	5399	5160
May 10	56.60	44.00	17,536	15,960	57.2	43.5	5278	4786
Jun 10	52.65	42.40	17,919	16,318	52.8	43.05	5366	4961
July 10	51.50	45.40	18,237	17,395	51.7	46.05	5477	5225
Aug 10	54.30	46.55	18,475	17,819	54.15	46.6	5549	5351
Sep 10	61.45	49.50	20,267	18,027	61.7	49.5	6073	5403
Oct 10	72.70	54.80	20,854	19,768	72.75	53.5	6284	5937
Nov 10	72.45	51.00	21,108	18,954	72.3	51.0	6338	5690
Dec 10	59.50	45.90	20,552	19,074	61.1	46.15	6147	6103
Jan 11	58.90	43.10	20,664	18,038	56.5	43.0	6181	5416
Feb 11	46.45	34.60	18,690	17,295	46.4	32.0	5599	5177
Mar 11	48.35	36.60	19,575	17,792	48.75	36.05	5872	5348

DECLARATION FOR COMPLIANCE WITH CODE OF CONDUCT

The Board of Directors of Lokesh Machines Limited, at their meeting held on January 9, 2006, adopted the Code of Conduct for the Directors and also for the Company's Senior Management personnel, which was posted on the Company's website.

In accordance with Clause 49 I (D) of the Listing Agreement with the stock exchanges, I hereby confirm that, all the Directors and the senior management personnel of the Company have affirmed compliance with the aforesaid Code of Conduct as applicable to them for the financial year ended March 31, 2011

For Lokesh Machines Limited

Place: Hyderabad
Date: 12th August, 2011

M. Lokeswara Rao
Managing Director

CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of Lokesh Machines Limited

We have examined the compliance of conditions of Corporate Governance by Lokesh Machines Limited, for the year ended 31st March, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India we have to state that no investor grievances were pending for a period of one month against the Company as per the records maintained by the Shareholders/Investor's Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

for BRAHMAYYA & CO.
Chartered Accountants
Firm Regn. No.000513S

Place: Hyderabad
Date : 12.08.2011

(K.S.RAO)
Partner
Membership No.15850

AUDITORS' REPORT

To the Members of LOKESH MACHINES LIMITED, HYDERABAD.

1. We have audited the attached Balance Sheet of LOKESH MACHINES LIMITED, HYDERABAD (A.P) as at 31st March, 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 (as amended), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - iii) The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account.
 - iv) In our opinion, the Balance Sheet, Profit and Loss account and Cash
 - a) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2011;
 - b) in the case of the profit and loss account, of the Profit of the Company for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

for BRAHMAYYA & CO.
Chartered Accountants
Firm Regn. No.000513S

(K.S.RAO)
Partner

Membership No.15850

Place: Hyderabad
Date : 12.08.2011

ANNEXURE TO THE AUDITOR'S REPORT

Referred to in paragraph 3 of our report of even date

Re: LOKESH MACHINES LIMITED, HYDERABAD.

1.
 - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) As explained to us, the management has physically verified most of the fixed assets during the year and there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of the assets. As informed, no material discrepancies were noticed on such verification.
 - c) During the year the Company has not disposed off any of the fixed assets.
2.
 - a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification between the physical stocks and book records were not material.
3. According to the information and explanations given to us, the company has neither granted nor taken any loans, secured or unsecured from/to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
5.
 - a) According to the information and explanations given to us by the Management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register to be maintained under that section
 - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The company has not accepted any deposits from the public. Hence the provisions of Sections and 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are not applicable to the Company for the time being.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. According to the information given to us, the Central Government has not prescribed maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 for activities of the Company.
9.
 - a) According to the records, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection

Fund, Employees' State Insurance, Sales Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it.

- b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Service Tax, Customs Duty, Excise Duty and Cess were in arrears as at March 31, 2011 for a period of more than six months from the date they became payable.
10. The Company has no accumulated losses as at the end of the financial year. The Company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institutions and Banks.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund or a nidhi/mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
14. The Company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. In our opinion and according to the information and explanations given to us the term loans were applied for the purpose for which the loans were raised.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
18. During the year, the Company has not made any preferential allotment of shares to parties and Companies covered in the Register maintained under section 301 of the Companies Act, 1956.
19. During the year, the Company has not issued any debentures , therefore the question of creating security or charge in respect thereof does not arise
20. During the year, the Company has not made any public issue and therefore the question of disclosing the end use of money raised by public issue does not arise.
21. Based upon the audit procedures performed and according to the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the year.

for BRAHMAYYA & CO.
Chartered Accountants
Firm Regn. No.000513S

(K.S.RAO)
Partner

Membership No.15850

Place: Hyderabad
Date : 12.08.2011

BALANCE SHEET AS AT MARCH 31, 2011
Rs . In Lakhs

PARTICULARS	SCH REF	As at 31.03.11	As at 31.03.10
SOURCES OF FUNDS			
Shareholders' Funds			
(a) Share Capital	A	1,177.74	1,177.74
(b) Reserves and Surplus	B	7,923.78	7,352.14
Loan Funds			
(a) Secured Loans	C	7,858.35	7,551.86
(b) Unsecured Loans	D	949.91	125.00
Deferred Tax Liability		599.15	647.99
TOTAL		18,508.93	16,854.73
APPLICATION OF FUNDS			
Fixed Assets	E		
Gross Block		12,307.26	10,947.26
Less: Depreciation		5,085.35	4,343.99
Net Block		7,221.91	6,603.27
Capital Work-in-Progress	F	2,711.97	1,010.07
		9,933.88	7,613.34
Investments	G	800.00	800.00
Current Assets, Loans and Advances	H		
(a) Inventories		5,361.57	5,005.03
(b) Sundry Debtors		3,336.13	3,964.11
(c) Cash and Bank Balances		254.91	189.18
(d) Loans and Advances		2,696.82	2,517.00
		11,649.43	11,675.32
Less: Current Liabilities and Provisions	I	3,874.38	3,233.93
Net Current Assets		7,775.05	8,441.39
TOTAL		18,508.93	16,854.73
Accounting Policies and Notes on accounts	Q		

As per our report of even date attached

For **BRAHMAYYA & CO**
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

K.S.RAO
Partner
Membership No. 15850

M. LOKESWARA RAO
Managing Director

B.KISHORE BABU
Executive Director

K. Durga Das Maiya
Company Secretary

Place: Hyderabad
Date: August 12, 2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011
Rs . In Lakhs

Particulars	Sch Ref	Current year	Previous year
INCOME			
Gross Sales			
Domestic Sales		10,039.79	5,632.77
Export Sales		165.72	353.92
Jobwork Charges		7,044.93	5,309.25
		17,250.44	11,295.94
Less: Excise duty		2,610.81	1,613.04
Net Sales		14,639.63	9,682.90
Other Income	J	400.94	131.32
TOTAL		15,040.57	9,814.22
EXPENDITURE			
Material consumed	K	8,107.05	4,733.64
Manufacturing expenses	L	1,397.08	997.17
(Increase)/Decrease in inventories	M	(175.56)	(253.55)
Personnel cost	N	2,261.16	1,705.51
Other expenses	O	959.69	559.93
Financial charges	P	1,223.21	916.07
Depreciation	E	741.36	707.34
		14,513.99	9,366.11
Less : Captive consumption		583.10	192.06
		13,930.89	9,174.05
Profit for the year before taxes		1,109.68	640.17
Provision for Taxation			
- Current Tax		450.00	238.00
- Deferred Tax		(48.84)	(2.46)
Profit for the year after taxes		708.52	404.63
Balance brought forward		2,452.27	2,210.42
Profit available for appropriation		3,160.79	2,615.05
Appropriation			
Proposed Dividend		117.77	117.77
Corporate Dividend Tax		19.11	20.01
Transfer to General Reserve		25.00	25.00
Carried to Balance Sheet		2,998.91	2,452.27
Total		3,160.79	2,615.05
Basic Earnings per share of face value Rs. 10 each (Refer note II(16) of Schedule - Q)		6.02	3.44
Accounting Policies and Notes on accounts	Q		

As per our report of even date attached

For **BRAHMAYYA & CO**

Chartered Accountants

K.S.RAO

Partner

Membership No. 15850

FOR AND ON BEHALF OF THE BOARD

M. LOKESWARA RAO

Managing Director

B.KISHORE BABU

Executive Director

Place: Hyderabad

Date: August 12, 2011

K. Durga Das Maiya

Company Secretary

SCHEDULES FORMING PART OF BALANCE SHEET
Rs . In Lakhs

	As at 31.03.2011	As at 31.03.2010
SCHEDULE A - SHARE CAPITAL		
Authorised		
125,00,000 Equity Shares of Rs. 10 each <i>(Previous year : 125,00,000 Equity shares of Rs. 10 each)</i>	1,250.00	1,250.00
	1,250.00	1,250.00
Issued, Subscribed and Paid-Up		
117,77,400 Equity shares of Rs. 10 each fully paid up <i>(Previous year : 117,77,400 Equity shares of Rs. 10 each)</i>	1,177.74	1,177.74
	1,177.74	1,177.74
SCHEDULE B - RESERVES AND SURPLUS		
(a) Capital Redemption Reserve	150.00	150.00
(b) Securities Premium	4,334.87	4,334.87
(c) Capital Reserve (Central Subsidy)	15.00	15.00
(d) General Reserve		
At the commencement of the year	400.00	375.00
Transfer from Profit and Loss account	25.00	25.00
At the end of the year	425.00	400.00
(e) Profit and Loss Account - Surplus	2,998.91	2,452.27
	7,923.78	7,352.14
SCHEDULE C - SECURED LOANS		
<i>(Refer note no II (2) of Schedule - Q)</i>		
Term loans from Banks (includes interest accrued and due)		
State Bank of Hyderabad	978.62	848.23
State Bank of India	447.08	642.04
Punjab National Bank	1,107.94	517.24
Working capital term loans		
State Bank of Hyderabad	398.51	398.01
Punjab National Bank	113.86	151.84
Cash Credit from Banks		
Punjab National Bank	787.48	754.47
State Bank of India	1,047.64	1,093.05
State Bank of Hyderabad	1,185.94	1,211.95
Barclays Bank	1,000.00	1,009.59
Indusind Bank	771.91	788.41
Vehicle Loans	19.37	29.40
Life Insurance Corporation of India <i>(Against Surrender value of keyman insurance)</i>	-	107.63
	7,858.35	7,551.86
SCHEDULE D - UNSECURED LOANS		
From Companies	949.91	125.00
	949.91	125.00

[Amounts repayable within one year Rs.633.24 lakhs (31.3.10 : Rs 125 lakhs)]

**SCHEDULES FORMING PART OF BALANCE SHEET
SCHEDULE E - FIXED ASSETS**

SL. No	Particulars	Gross Block			Depreciation			Net Block		Rs. in Lakhs	
		As at 01.04.10	Additions	Deletions	As at 31.03.11	Upto 31.03.10	For the Period	Deletions	Upto 31.03.11		As at 31.03.11
1)	Freehold Land	665.44	504.67	-	1,170.11	-	-	-	-	1,170.11	665.44
2)	Buildings	1,523.88	-	-	1,523.88	269.36	50.90	-	320.26	1,203.62	1,254.52
3)	Plant and Machinery	7,437.56	710.39	-	8,147.95	3,452.46	544.33	-	3,996.79	4,151.16	3,985.10
4)	Furniture & Fixtures	44.53	1.45	-	45.98	25.67	3.77	-	29.44	16.54	18.86
5)	Vehicles	214.92	11.51	-	226.43	132.27	22.87	-	155.14	71.29	82.65
6)	Misc.Equipment	761.06	126.06	-	887.12	272.92	79.73	-	352.65	534.47	488.14
7)	Office Equipment	34.22	0.22	-	34.44	15.47	2.82	-	18.29	16.15	18.75
8)	Computers	265.65	5.70	-	271.35	175.84	36.94	-	212.78	58.57	89.81
	TOTAL	10,947.26	1,360.00	-	12,307.26	4,343.99	741.36	-	5,085.35	7,221.91	6,603.27
	<i>March 31, 2010</i>	10,066.47	911.02	30.23	10,947.26	3,663.91	707.34	27.26	4,343.99	6,603.27	

Note : Note : 1. Motor vehicles include vehicles acquired under finance having a gross book value of Rs 28.73 lakhs (31-3-2010 : Rs.59.07 lakhs) and net book value of Rs17.40 lakhs

SCHEDULES FORMING PART OF BALANCE SHEET
Rs . In Lakhs

	As at 31.03.2011	As at 31.03.2010
SCHEDULE F - CAPITAL WORK-IN-PROGRESS		
Capital work in progress	2,711.97	1,010.07
	2,711.97	1,010.07
SCHEDULE G - INVESTMENTS		
(At Cost, Non Trade, Long term)		
a) 5,00,000 Equity shares of Rs.10/- each in M/s MLR Motors Ltd	200.00	200.00
b) 15,00,000 Equity shares of Rs.10/- each in M/s MLR Auto Ltd	600.00	600.00
	800.00	800.00
SCHEDULE H - CURRENT ASSETS, LOANS AND ADVANCES		
A) INVENTORIES		
(Valued and certified by the management)		
(At cost or otherwise stated)		
Finished Goods	480.93	461.33
Work-in-Progress	4,009.10	3,854.72
Raw Materials	6.73	5.53
Stores and Components	859.10	679.32
Scrap (at realisable value)	5.71	4.13
	5,361.57	5,005.03
B) SUNDRY DEBTORS - UNSECURED		
Debts outstanding for over six months		
Considered Good	1,374.42	1,604.92
Considered Doubtful	46.79	46.79
	1,421.21	1,651.71
Less: Provision for doubtful debts	46.79	46.79
	1,374.42	1,604.92
Other debts (considered good)	1,961.71	2,359.19
	3,336.13	3,964.11
C) CASH AND BANK BALANCES		
Cash in hand	1.21	1.39
Balance with scheduled banks		
in current accounts	17.66	10.03
in margin money deposits (Deposit receipts are pledged with Banks for guarantees and letter of credits issued)	236.04	177.76
	254.91	189.18

SCHEDULES FORMING PART OF BALANCE SHEET
Rs . In Lakhs

	As at 31.03.2011	As at 31.03.2010
D) LOANS AND ADVANCES		
(UNSECURED)		
(Advances recoverable in cash or in kind or for value to be received)		
Advances for capital works	852.31	1,203.21
for purchases	886.69	588.92
for expenses	9.18	5.04
others	20.60	18.44
Prepaid expenses	11.57	14.42
Deposits	70.94	53.32
Balance with Excise authorities	823.73	612.22
Fringe Benefit tax(Net of provision)	-	6.37
Interest accrued on deposits	21.80	15.06
	2,696.82	2,517.00
SCHEDULE I - CURRENT LIABILITIES AND PROVISIONS		
A) Current Liabilities		
Sundry Creditors		
Due to micro Small and medium enterprises	24.66	26.64
Others	2,017.90	1,620.57
Accrued expenses	297.60	262.79
Advance from customers	1,013.79	829.03
Other liabilities	120.40	69.20
Unpaid dividend	3.02	2.91
(There is no amount due and outstanding to be credited to the Investor Education and Protection Fund)		
B) Provisions		
Income tax (net)	64.61	127.19
Dividend	117.77	117.77
Corporate Dividend Tax	19.56	20.01
Gratuity	88.62	78.95
Leave Encashment	106.45	78.87
	3,874.38	3,233.93

Schedules forming part of Profit and Loss Account for the year ended March 31, 2011		Rs . In Lakhs
	Current year	Previous year
SCHEDULE J - OTHER INCOME		
Interest (others) (TDS Rs. 8.86 lakhs)(Previous year : Rs. 6.03 lakhs)	102.77	72.24
Sale of Scrap	59.75	48.66
Profit on sale of asset	-	7.02
Exchange variance	-	3.03
Keyman Insurance	237.50	-
Miscellaneous income	0.92	0.37
	400.94	131.32
SCHEDULE K - MATERIALS CONSUMED		
Opening stock of raw materials	5.53	2.55
Add: Purchase of raw materials	1,787.58	888.88
Closing stock of raw materials	(6.73)	(5.53)
Consumption of raw materials	1,786.38	885.90
Opening stock of stores and components	679.32	591.04
Add: Purchases of stores and components	6,500.45	3,936.02
Closing stock of stores and components	(859.10)	(679.32)
Consumption of stores and components	6,320.67	3,847.74
	8,107.05	4,733.64
SCHEDULE L - MANUFACTURING EXPENSES		
Job works (processing charges)	506.80	420.28
Packing material	163.82	80.17
Freight and cartage	165.29	103.02
Power and fuel	488.07	306.86
Design stationery	1.93	1.55
Testing charges	0.37	0.36
Repairs and Maintenance - Plant and Machinery	70.80	84.93
	1,397.08	997.17
SCHEDULE M - (INCREASE)/DECREASE IN INVENTORIES		
Opening Stock		
Finished Goods	461.33	414.67
Work-in-Progress	3,854.72	3,648.41
Scrap	4.13	3.55
	4,320.18	4,066.63
Closing Stock		
Finished Goods	480.93	461.33
Work-in-Progress	4,009.10	3,854.72
Scrap	5.71	4.13
	4,495.74	4,320.18
	(175.56)	(253.55)

Schedules forming part of Profit and Loss Account for the year ended March 31, 2011		Rs . In Lakhs
	Current year	Previous year
SCHEDULE N - PERSONNEL COSTS		
Salaries, Wages and Bonus	2,067.28	1,522.34
Contribution to PF and Other Funds	117.75	136.49
Staff Welfare	76.13	46.68
	2,261.16	1,705.51
SCHEDULE O - OTHER EXPENSES		
Rent	0.36	0.36
Rates and Taxes	20.39	32.15
Insurance	8.00	8.21
Travelling and Conveyance	174.01	145.75
Printing and Stationery	32.06	20.80
Postage and Telephones	28.53	22.89
Repairs and Maintenance - Vehicles	53.63	38.11
Directors Sitting Fee	2.72	1.48
Sales Commission	92.76	33.64
Professional Charges	211.24	103.80
Business Promotion Expenses	21.82	13.42
Advertisement	6.97	6.81
Donations	2.04	2.25
Miscellaneous Expenses	74.33	44.54
Security Charges	43.31	30.42
Exhibition expenses	68.07	-
Excise duty relating to Finished Goods	1.83	11.51
Service charges	115.74	36.56
Exchange variance	1.88	7.23
	959.69	559.93
SCHEDULE P - INTEREST AND FINANCIAL CHARGES		
Interest		
On Fixed Loans	318.54	252.73
On Others	832.96	725.70
	1,151.50	978.43
Less: Transferred to Fixed assets	11.65	143.40
	1,139.85	835.03
Bank and other charges	83.36	81.04
	1,223.21	916.07

ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

I SIGNIFICANT ACCOUNTING POLICIES

1) Basis of Accounting

The financial statements of the Company are prepared under the historical cost convention on an accrual basis and in accordance with the generally accepted accounting principles and Accounting Standards issued by the Institute of Chartered Accountants of India.

2) Fixed Assets and Depreciation

- (a) Fixed assets are stated at cost less accumulated depreciation. Cost includes all related expenses incurred up to the date of putting them to use.
- (b) Depreciation is provided at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956 as follows:
 - In respect of Plant & Machinery and Buildings : Straight Line Method
 - In respect of Furniture & Fixtures, Patterns, Vehicles,
Office equipment, Computers and Misc. Equipment. : Written Down Value Method

3) Inventories

- (a) Raw Materials, Components and Consumable Stores are valued at cost on first in first out basis (FIFO).
- (b) Finished goods and Work-in-progress are valued at lower of cost and net realizable value on full absorption cost basis.

4) Sales

Sales includes excise duty are accounted for on dispatch of goods to the customers that generally coincides with the transfer of risk and rewards.

5) Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of transaction.

Monetary items denominated in foreign currencies at the year end not covered by forward exchange contracts are translated at year end rates and the difference is charged to the Profit and Loss Account.

6) Retirement Benefits

All the Employees of the Company are entitled to retirement benefits of Provident Fund and Gratuity.

- (a) Provision for Gratuity liability to employees is made on the basis of actuarial valuation.
- (b) Provision is made for value of unutilized leaves due to employees at the end of the year.
- (c) Deferred Tax

Deferred Tax is accounted for by computing the tax effect of timing differences that arise during the year and reverse in subsequent periods.

7) Leases

Assets acquired under finance leases on or after April 1, 2001 are recognized at the lower of the fair value of the leased assets at inception and the present value of minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term at a constant periodic rate of interest on the remaining balance of the liability.

II NOTES TO ACCOUNTS

1) A) Contingent Liabilities not provided for on account of

(Rs. In Lakhs)

	2010-11	2009-10
a) Letters of Credit	753.83	829.89
b) Bank Guarantees	643.76	562.90

B) Estimated amount of Contracts remaining to be executed on Capital account and not provided for Rs.3535.39 lakhs (31.03.2010: Rs. 2150.63 lakhs) [(Net of Advances Rs.403.90 lakhs) (31.03.2010: Rs.140.00 lakhs)]

- 2) (a) Term loans from State Bank of Hyderabad and State Bank of India and Punjab National Bank are secured by equitable mortgage of land, buildings, plant and machinery and hypothecation of all movables (except book debts) including movable machinery, machinery spares, tools and accessories, both present and future on pary passu basis and further secured by the personal guarantee of the Managing Director and Executive Director. The loan from Life Insurance Corporation of India is secured by surrender value of key men Insurance Policies further guaranteed by the personal guarantee of the Managing Director.
- (b) Cash Credit from Banks are secured by hypothecation of stock and receivables and second charge on land, buildings and machinery and further secured by the personal guarantee of the Managing Director and Executive Director.
- (c) Vehicles acquired under finance lease are secured by the hypothecation of the vehicles and further secured by personal guarantee of the Managing Director.

3) Composition of Deferred tax (asset)/liability as on 31.03.2011 as follows:

(Rs. In Lakhs)

Particulars	Deferred Tax Liability / (Asset) as at 01.04.2010	Current Year Charge / (Credit)	Deferred Tax Liability / (Asset) as at 31.03.2011
A. Deferred Tax Liabilities			
Difference between book and tax depreciation	717.54 (696.18)	38.05 (2.14)	679.49 (696.18)
B. Deferred Tax Assets			
Others	69.55 (45.73)	10.79 (0.63)	80.34 (45.73)
Net Total (A-B)	647.99 (650.45)	(48.84) (1.51)	599.15 (650.45)

- 4) Advances for capital works under Loans and Advances includes Rs. 884.48 lakhs (Previous year: 478.92) given to M/s MLR Motors Ltd and Rs. 51.98 lakhs(Previous year : Rs. Nil) to M/s MLR Auto Ltd which are under the same management towards purchase of land and machinery. The Maximum amount outstanding during the year in MLR Motors Ltd is Rs. 884.48 lakhs. (Previous year: 478.92 lacs) and in MLR Auto Ltd is Rs. 51.98 lakhs(Previous year Rs. Nil).

5) **Employee Benefits:**

The disclosures as required under the revised AS 15 are as under:

A) Defined Benefit Plan

The Company has schemes for long term benefits such as provident fund, gratuity and leave encashment. In case of funded scheme, the funds are recognized by the Income tax authorities and administered through trustees/appropriate authorities. The Company's defined benefit plans include provident fund, gratuity and leave encashment. In terms of Guidance on implementing the revised AS 15, issued by the Accounting Standards of the Institute of Chartered Accountants of India, the provident fund set up by the Company is treated as defined benefit plan since the Company has to meet the interest shortfall, if any. However, as at the year end no shortfall remains unprovided for. It is not practical or feasible to actuarially value the liability of provident fund considering that the rate of interest as notified by the Government can vary annually. Further the pattern of investments for investible funds is as by the Government. Accordingly other related disclosures in respect of provident have not been made.

B) Disclosures for benefit plans based on actuarial reports as on 31.03.2011.

	Gratuity (Funded Plan)	Leave encashment (Non Funded Plan)
(i) Assumptions:		
Rate of Discounting	8.0 %	8.0 %
Future Salary Rise	4.0 %	4.0 %
Attrition Rate	5.6 %	-
Mortality Table	LIC (1194-96)	-

The actuarial value of gratuity liability calculated on the above assumptions works out to be Rs. 1,07,40,200 (Rs. One Crore seven lakh forty thousand two hundred only)

6 **Particulars of Directors Remuneration:**

(Rs. In Lakhs)

	2010-11	2009-10
(a) Salary	73.80	58.20
(b) Commission	11.98	7.07
(c) Provident Fund	0.28	0.28
(d) Directors fees	2.72	1.48
Total	88.78	67.03

Computation of Net Profit under section 349 of the Companies Act, 1956
(Rs. In Lakhs)

	2010-11	2009-10
Profit as per Profit and Loss Account	1109.68	640.17
Add : Director's remuneration	88.78	67.03
Profit u/s.349	1198.46	707.20
Commission @ 1 %	11.98	7.07

7) Capacities and Production
a) Installed capacity

	2010-11	2009-10
Number of Machines	600	400

(As certified by the Management and relied upon by the Auditors.)

b) Details of Production, Turnover and Stock of Finished Goods
(Machines in Nos.)

Op. Stock	Production	Sales		Closing Stock	
Nos.	Nos.	Nos.	Rs. In lakhs	Nos.	Rs. In lakhs
23	*519	510	9993.15	19	480.94

*Includes 13 Number of Machines capitalized.

(Rs. In Lakhs)

Sales	2010-11		2009-10	
	Qty	Value	Qty	Value
Special Purpose Machines	19	2059.18	18	1273.88
General Purpose Machines (Indigenous)	487	7768.25	259	4203.10
GPM/SPM Machines (Exports)	4	165.72	8	353.92
Spares		212.35		155.78
Job work charges		7044.93		5309.25
Total	510	17250.43	285	11295.93

8) Raw materials, stores & components consumed:
(Rs. In Lakhs)

	2010-11	2009-10
Raw Material	1786.38	885.90
Stores & Components	6320.67	3847.74

Note: The quantitative details of Raw Materials and Stores & Spares are not given as they consist of various types, which are not practicable to give.

9) Value of Imported & Indigenous raw material consumed and their percentage to total consumption.
(Rs.In Lakhs)

Particulars	Raw Materials		Stores & Components	
	2010-11	2009-10	2010-11	2009-10
Imported (% of Total)	-	-	820.73 (13%)	654.42 (17%)
Indigenous (% of Total)	1786.38 (100%)	885.90 (100%)	5499.94 (87%)	3193.32 (83%)
Total	1786.38 (100%)	885.90 (100%)	6320.67 (100%)	3847.74 (100%)

(Figures in brackets relates to the previous year.)

10) Expenditure in Foreign Currency.

- Travel Rs.12.82 lakhs (2009-10: Rs.15.49 lakhs)
- Capital Goods: Rs Nil (2009-10: Rs.Nil lakhs)
- Stores and components Rs. 516.35 lakhs (2009-10:Rs. 559.43. lakhs)

11) Earnings in Foreign currency:

- FOB value of goods exported: Rs.165.72 lakhs (2009-10: Rs. 353.92 lakhs)

12) CIF Value of Imports:

- Stores, spares and components: Rs. 743.68 lakhs (2009-10: 729.96 lakhs)

13) Auditor's Remuneration:

(Rs. In Lakhs)

	2010-11	2009-10
Audit Fees	5.51	5.51
Total	5.51	5.51

14) Interest paid, payable or accrued and due to micro, small and medium industries – Nil.

15) Vehicle finance

The Company has outstanding finance installments as at March 31, 2011 on three motor vehicles. These arrangements were entered for a period of three to four years. The liability payable in finance agreement is analyzed as follows:

(Rs. In Lakhs)

	2010-11	2009-10
Total minimum installment payments	6.30	9.02
Interest	(0.42)	(0.81)
Present value of minimum installment payments	5.88	8.21

Future minimum installment payments under finance agreement are as under:

(Rs. In Lakhs)

	Minimum lease payments		Present value of minimum lease payments	
	2010-11	2009-10	2010-11	2009-10
Payable not later than one year	5.28	6.25	4.89	5.55
Payable later than one year and not later than five years	1.02	2.77	0.99	2.66
Total	6.30	9.02	5.88	8.21

16) Earnings per share (EPS)

Basic earnings are calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

(Rs. In Lakhs)

		2010-11	2009-10
Profit after tax as per accounts	A	708.52	404.63
Number of shares issued and subscribed	B	117.77	117.77
Basic EPS (Amount in Rupees)	A/B	6.02	3.44

17) Segment Information

(Rs. In Lakhs)

Particulars	Machine Division	Components Division	Unallocated	Total
Revenue				
External sales	9313.52 (5546.72)	5326.11 (4136.18)	-	14639.63 (9682.90)
Inter-segment sales	-	-	-	-
Total revenue	9313.52 (5546.72)	5326.11 (4136.18)	-	14639.63 (9682.90)
Segment Results	1529.09 (950.07)	1474.03 (1221.09)	-	3003.12 (2171.16)
Corporate expenses			1071.17 (746.24)	1071.17 (746.24)
Other income				298.17 (59.08)
Interest income				102.77 (72.24)
Interest expenses				1223.21 (916.07)

(Rs. In Lakhs)

<i>Particulars</i>	<i>Machine Division</i>	<i>Components Division</i>	<i>Unallocated</i>	<i>Total</i>
Profit before taxes				1 109.68 (640.17)
Taxes on income				401.16 (235.54)
Net profit				708.52 (404.63)
Segment Assets	1431.38 (14077.79)	8064.92 (6010.87)		22383.30 (20088.66)
Segment liabilities	8897.46 (8240.71)	4384.33 (3318.07)		13281.78 (11558.78)
Capital expenditure	692.04 (412.86)	2069.87 (62.69)		3061.91 (475.55)
Segment depreciation	319.17 (309.86)	422.19 (397.48)		741.36 (707.34)
Non-cash expenses other than depreciation			0.00 (0.00)	0.00 (0.00)

(Amounts in brackets represent previous year figures)

The primary reporting of the company has been performed on the basis of business segment. The company is organized into two business segments i.e. Machines division and Components division. Segments have been identified and reported based on the nature of the products, risks and returns, the organization structure and the internal financial reporting systems.

Secondary segment reporting is performed on the basis of geographical location of customers. The operations of the company are largely confined to India, with exports contributing to approximately 1.13% of its annual net sales. The management views the Indian market and export market as distinct geographical segments.

Sales by market – The following are the distribution of the company's sales by geographical market:

(Rs. In Lakhs)

	2010-11	2009-10
India	14473.91	9328.98
Exports	165.72	353.92
Total	14639.63	9682.90

Assets and additions to fixed assets by geographical area – The following is the carrying amount of segment assets and additions to fixed assets by geographical area in which the assets are located as on March 31 2011

(Rs. In Lakhs)

	Carrying amount of segment assets		Additions to fixed assets	
	31-03-2011	31-03-2010	31-03-2011	31-03-2010
India	22309.55	19994.70	3061.91	475.55
Outside India	82.10	93.96	-	-
TOTAL	22391.65	20088.66	3061.91	475.55

Carrying amount of segment assets outside India represents export receivables.

Segment revenue and results

The expenses that are not directly attributable to the business segments are shown as unallocated corporate costs.

Segment assets and liabilities

Segment assets include all operating assets used by a segment and consist principally of debtors, inventories, advances and fixed assets, net of allowances. Assets at the corporate level are not allocable to segments on a reasonable basis and thus the same have not been allocated.

Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities.

Inter segment transfers

There were no inter-segment transfers during the year.

18) Related party disclosures

A) List of related parties and relationships

Sl. No.	Related Party	Nature of relationship
1)	M.Lokeswara Rao	Key Management Personnel
2)	B.Kishore Babu	
3)	K.Krishna Swamy	
4)	M.Srinivas	
5)	M.Srikrishna	
6)	MLR Motors Limited	Entities owned or significantly influenced by Key Management Personnel
7)	M.Vijayalakshmi	Relatives of Key Management Personnel
8)	M.Kanaka Durga	
9)	M.Vasanthalakshmi	
10)	B.Vijayalakshmi	

B) Transactions with related parties during the period ended March 31, 2011

(Rs. In Lakhs)

Sl. No.	Particulars	Key Management Personnel	Entities owned or significantly influenced by Key Management Personnel	Relatives of Key Management Personnel	TOTAL
A)	Job works received		0.00 (0.00)		0.00 (0.00)
	Sales/Service given		85.46(47.69)		85.46(47.69)
B)	Advances for purchase of assets	17.64 (270.00)	457.54 (478.92)		423.10 (748.92)
C)	Remuneration	73.80 (58.20)			73.80 (58.20)
D)	Dividend paid/provided	36.02 (0.00)		23.03 (0.00)	59.05 (0.00)
E)	Investment (Share Application Money)		0.00(0.00)		0.00 (0.00)
F)	Debit balances outstanding as on March 31, 2011	287.64 (270.00)	936.46(478.92)	14.76 (14.76)	1238.86(763.68)

(Figures in brackets represent transactions for the year 2009-10 / balance as on March 31, 2011)

19) Derivative Instruments:

The company has entered into the following derivative instruments:

- 1) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Amounts receivable in foreign currency on account of the following: (Rs. In Lakhs)

Export of goods	Rs. 61.72 (65.24)	0.97 (0.97)(€)
	Rs. 20.38 (28.72)	0.45 (0.65) \$

20) Previous year's figures have been regrouped wherever necessary.

As per our report of even date attached

For **BRAHMAYYA & CO**
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

K.S.RAO
Partner
Membership No. 15850

M. LOKESWARA RAO
Managing Director

B.KISHORE BABU
Executive Director

K. Durga Das Maiya
Company Secretary

Place: Hyderabad
Date: August 12, 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011
Rs. in Lakhs

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxes	1,109.68	640.17
<i>Adjusted for</i>		
Depreciation	741.36	707.34
Financial charges	1,223.21	916.07
Profit on sale of fixed assets,net	-	(7.02)
Interest Income	(102.77)	(72.24)
Operating profit before working capital changes	2,971.48	2,184.32
<i>Adjustment for changes in</i>		
Trade and other receivables	97.64	(447.42)
Inventories	(356.53)	(344.81)
Trade and other payables	703.38	221.09
Cash generated from operations	3,415.97	1,613.18
Direct taxes paid	(525.77)	(355.91)
NET CASH GENERATED FROM OPERATING ACTIVITIES (A)	2,890.20	1,257.27
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(2,711.01)	(717.16)
Investments	-	-
Sale of fixed assets	-	10.00
Interest received	96.03	76.18
NET CASH USED IN INVESTING ACTIVITIES (B)	(2,614.98)	(630.98)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	1,482.15	1,093.39
Borrowings repaid	(350.76)	(743.23)
Dividend paid	(117.67)	-
Interest paid	(1,223.21)	(916.07)
NET CASH USED IN FINANCING ACTIVITIES (C)	(209.49)	(565.91)
NET INCREASE IN CASH AND CASH EQUIVALENTS(A+B+C)	65.73	60.38
Opening balance of cash and cash equivalents	189.18	128.80
Closing balance of cash and cash equivalents	254.91	189.18
	236.04	177.76

As per our report of even date attached

For **BRAHMAYYA & CO**
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

K.S.RAO
Partner
Membership No. 15850

M. LOKESWARA RAO
Managing Director

B.KISHORE BABU
Executive Director

K. Durga Das Maiya
Company Secretary

Place: Hyderabad
Date: August 12, 2011

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
I. Registration Details

Registration No. State Code

Balance Sheet Date

II. Capital Raised during the year (Rs. in Lakhs)

Public Issue Rights Issue

Bonus Issue Private Placement

III. Position of Mobilisation & Deployment of Funds (Rs. in Lakhs)

Total Liabilities Total Assets

Sources of Funds

Share Capital Reserves & Surplus

Secured Loans Unsecured Loans

Others

Application of Funds

Net Fixed Assets Investments

Net Current Assets Misc. Expenditure

Accumulated Losses

IV. Performance of Company (Rs. in Lakhs)

Total Income Total Expenditure

Profit/(Loss) before Tax Profit/(Loss) after Tax

Earnings Per Share in Rs Dividend Rate (%)

V. Generic Names of Principal Products / Services of the Company (As per monetary terms)

ITC Code

Product Description

ELECTRONIC CLEARING SERVICES (ECS) MANDATE FORM

To,
Lokesh Machines Limited
C/o. Karvy Computershare Private Limited
Karvy House, 46, Avenue 4,
Street No: 1, Banjara Hills, Hyderabad- 500034
(in case of physical holding)

To,
The Depository Participant Concerned
(In Case of electronic holding)

Dear Sirs,

FORM FOR ELECTRONIC CLEARING SERVICES FOR PAYMENT OF DIVIDEND

Please fill-in the information in CAPITAL LETTERS in ENGLISH only.

Folio No./ Client ID No. *

DPID*

* Applicable only in case of Electronic holding.

For Office Use Only

ECS Ref.No.

Name of Sole/First holder Bank Name

Bank Name

Branch Name

Branch Code

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(9 Digits Code number appearing on the MICR Band of the cheque supplied by the Bank). Please attach a xerox copy of a cheque or a blank cheque of your bank duly cancelled for ensuring accuracy of the banks name, branch name and code number.

Account type
(Please Tick (v'))

Saving

Current

Cash Credit

wherever applicable)

A/c.No.

(as appearing in the cheque book)

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

I, hereby declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incompleteness or incorrectness of information supplied as above, I shall not hold the Company/Karvy Computershare Private Limited, responsible.

I further undertake to inform the Company of any change in the particulars given above to facilitate updation of records.

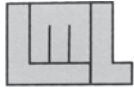
Place:

Date: _____

(Signature of Sole/First holder)

Notes:

- Whenever the Shares in the given folio are entirely dematerialised, then this ECS mandate form wil stand rescinded.
- For shares held in dematerialised mode, ECS Mandate is required to be filed with the concerned Depository Participant.



LOKESH MACHINES LIMITED

B-29, EEIE, Stage-II, Balanagar, Hyderabad -500037

TWENTY SEVENTH ANNUAL GENERAL MEETING

PROXY FORM

Folio No. _____ No. of Shares held: _____

Client ID: _____ DP ID : _____

I/We _____

being a Member of LOKESH MACHINES LIMITED hereby appoint _____

_____ of _____

as my/our proxy to vote for me / us and on my/our behalf at the 27th Annual General Meeting of the Company to be held at 4.30 P. M. on Friday, September 30, 2011 at Jubilee Hills International Centre, Near Jubilee Hills check post, Road No 14, Hyderabad -500 033.

Signed this _____ day of _____ 2011



Note: Proxy in order to be effective should be deposited at the Registered Office not later than 48 hours before the commencement of the meeting. Proxy need not be a member of the Company. The form should be signed across the stamp as per the specimen signature registered with the Company.

Signature of Member

LOKESH MACHINES LIMITED

B-29, EEIE, Stage-II, Balanagar, Hyderabad -500037

TWENTY SEVENTH ANNUAL GENERAL MEETING

ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the Meeting Hall. Only Members or their proxies are entitled to be present at the Meeting.

Member's Reg. Folio No. _____ Client ID: _____

DP ID: _____

Name and Address _____

I hereby record my presence at the 27th Annual General Meeting held at 4.30 P.M. on Friday, September 30, 2011 at Jubilee Hills International Centre, Near Jubilee Hills check post, Road No 14, Hyderabad -500 033.

Signature of the shareholder / proxy



**PRINTED MATTER
BOOK POST**

If undelivered, please return to :



LOKESH MACHINES LIMITED

B-29. EEIE, Stage - II, Balanagar, Hyderabad - 500 037.
Ph: 040 - 23079310-13