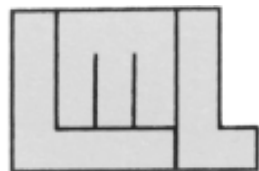


**ANNUAL REPORT
2012-2013**



**Lokesh
Machines Limited**

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BOARD OF DIRECTORS

Mr. M Lokeswara Rao	_____	Managing Director
Mr. B Kishore Babu	_____	Executive Director
Mr. K Krishna Swamy	_____	Whole Time Director (Technical)
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. D. Raghavendra Rao

BANKERS

State Bank of Hyderabad
Punjab National Bank
State Bank of India
IndusInd Bank Limited

AUDITORS

M/s Brahmayya & Co.,
Chartered Accountants
Flat no 403 & 404, Golden Green Apartments
Irrum Manzil Colony
Hyderabad- 500 082

INTERNAL AUDITORS

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

REGISTRARS & TRANSFER AGENTS

Karvy Computershare Private Limited.
Plot No 17 to 24, Vittal Rao Nagar,
Madhapur, Hyderabad - 500 081
Ph : +91-40 44655000
Fax : +91 40 23420814

REGISTERED OFFICE

B-29, EEIE, Stage II
Balanagar
Hyderabad – 500 037 (A.P) India

WORKS

Temple Road, Bonthapally, Medak District, A. P.	B – 25 & 36, EEIE, Stage II, Balanagar, Hyderabad, A. P.	Ravalkol village, Medchal Mandal. Rangareddy Distt, A. P.	Plot No 41, IDA Balanagar, Hyderabad A. P.	B – 15 & 17, EEIE, Stage II, Balanagar, Hyderabad, A. P.	Plot No D260/I Ranjangaon Industrial Area, MIDC, Shirur, Pune, Maharashtra
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NOTICE OF THE 29TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty Ninth Annual General Meeting of Lokesh Machines Limited will be held on Saturday on September 28th, 2013 at 11:00 A.M at Jubilee Hills International Centre, Near Jubilee Hills Check Post, Road No. 14, Hyderabad - 500 033 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at March 31, 2013 and the Statement of Profit and Loss for the year ended on that date together with the Reports of Directors' and Auditors' thereon.
2. To declare dividend on equity shares of the company.
3. To appoint a Director in place of Mr.K Krishna Swamy, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr.M. Hari prasada Rao who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s. Brahmayya & Co, Chartered Accountants, Hyderabad as Statutory Auditors of the Company, who shall hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

By Order of the Board
For LOKESH MACHINES LIMITED

Place: Hyderabad
Date : August 12, 2013

D. Raghavendra Rao
Company Secretary

NOTES:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy and vote instead of himself and such proxy need not be a member of the Company. Proxies should be deposited at the Registered Office of the Company not less than Forty-Eight hours before the scheduled commencement of the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from September 24, 2013 to September 28, 2013, both days inclusive, on account of the Annual General Meeting and payment of dividend.
3. Shareholders are requested to immediately notify the REGISTRARS AND SHARE TRANSFER AGENTS or the DEPOSITORY PARTICIPANTS (in case of shares which have been dematerialised) of any change in their address and/or bank account details to ensure correct and prompt receipt of the Dividend Warrants.
4. Corporate Members are requested to submit a duly certified copy of the Board Resolution authorising their representative to attend and vote at the Annual General Meeting.
5. Members are requested to bring the duly filled attendance slip along with their copy of the annual report to the meeting.

6. Relevant documents and registers will be available for inspection by the members at the registered office of the company.
7. As per the green initiatives issued by the Ministry of Corporate Affairs, all companies are allowed to send official documents to their shareholders electronically. Henceforth, we propose to send documents like notice convening the general meetings, financial statements etc. to the email address registered with the company.

We request you to register / update your email address with your depository participant / RTA to ensure that all documents reach you on your preferred email.

8. The information on the particulars of the Directors seeking appointment / re-appointment as required under clause - 49 of the Listing Agreement entered into by the company with the stock exchanges has been given below:

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

29TH REPORT OF THE BOARD OF DIRECTORS

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

FINANCIAL RESULTS

Rs in Lakhs

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

PERFORMANCE REVIEW:

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

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

FUTURE OUTLOOK

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

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



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

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

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

DIVIDEND

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

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

TRANSFER TO GENERAL RESERVE

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

DIRECTORS

Mr. K Krishna Swamy and Mr. M. Hariprasada Rao, Directors of the company retire by rotation at the ensuing Annual General Meeting, and being eligible offer themselves for re-appointment.

As required by clause 49 of the Listing Agreement with the Stock Exchanges, the information on the particulars of the Directors seeking re-appointment was given in the notice to the AGM.

PUBLIC DEPOSITS:

During the year, the company has not accepted any deposits from the public and is therefore not required to furnish information in respect of outstanding deposits under Non-Banking Non-Financial Companies (Reserve Bank) Directions, 1966 and Companies (Acceptance of Deposit) Rules, 1975.

LISTING:

The equity shares of the Company are listed with Bombay Stock Exchange Limited (BSE), and National Stock Exchange of India Limited (NSE). There are no arrears on account of payment of listing fees to the said Stock Exchanges.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors of your Company confirm:

- I. That all applicable accounting standards have been followed in the preparation of annual accounts and that there are no material departures
- II. That the directors selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at March 31, 2013 and of the profit of the Company for the year ended on that date.
- III. That the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- IV. That the Directors prepared the annual accounts on a going concern basis.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO:

Particulars of conservation of energy, technology absorption and foreign exchange earnings and outgo as required under section 217(1)(e) of the Companies Act, 1956, read with the Companies

(Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, is annexed as Annexure 'A' to this Report.

PARTICULARS OF EMPLOYEES

Particulars of employees whose information is to be annexed to this report pursuant to sec-217(2A) of the Companies Act, 1956 are not applicable since the company has not employed any such employees.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

CORPORATE GOVERNANCE

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

SUBSIDIARY COMPANY:

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

AUDITORS & AUDITORS' REPORT:

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

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

NEW MANUFACTURING UNITS AND EXPANSION:

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

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

ACKNOWLEDGEMENTS

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

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

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

Place: Hyderabad.
Date: August 12, 2013

B Kishore Babu
(Executive Director)

M Lokeswara Rao
(Managing Director)

ANNEXURE 'A'

Disclosure of particulars with respect to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo as required under Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988 and forming part of the Report of the Board of Directors for the period ended 31st March, 2013.

A. Conservation of Energy

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

B. Technology Absorption, Research and Development

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

Research and Development (R & D)

1. Specific areas in which R & D carried out by the Company:

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

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

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

Foreign Exchange Earnings and Outgo

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

Industry Structure and Development

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

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

Opportunities & Threats, Risks and Concerns

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

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

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

Segment wise Performance

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

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

Internal Control Systems and their adequacy

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



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 main resource for the Company. The Company has done its best to retain the best employees and create a favorable work environment that encourages the young credible employees to perform innovatively and train them in a sophisticated manner with implementation of new technologies.

During the year under review all employees worked innovatively and supported productivity in an encouraging manner and high technological changes have been initiated in the process of production resulting in to cost effective quality production.

The staff strength of the Company as on 31st March, 2013 was 1325 (including trainees, employees on contract).

Financial Overview during the Year

During the year, the turnover decreased by 14.50%, and the Profit before Interest and Taxes increased by 11.36% compared to the previous year. The Earnings per Share decreased from Rs. 6.45 per share in the previous year to Rs 0.90 per share in the year under review.

The optimistic outlook about the company's continued growth in the years to come enabled the Board to declare a dividend of 7.5% to its equity shareholders.

Outlook

Global economic uncertainties will be there in the near future. The company believes that with the strong customer relations, product development capabilities, design & engineering capabilities and stronger balance sheet it can create opportunities for itself in this uncertain environment.

With a focus on innovation and technology to best leverage its strong customer relations, and with a considerably good order book the Company is reasonably confident of continuing on the growth path in FY 2012-13.

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 five are Non-Executive Directors, out of which three are Independent directors.

The Company has a Non-Executive and Independent Chairman, Managing Director and three Whole-time Directors. The Managing Director and 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, four Board Meetings were held on 14th May, 2012; 14th August, 2012; 12th November, 2012; and 14th February, 2013. The gap between two Board meetings was not more than four months.

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	Committee Memberships	Committee Chairmanships
	Held	Attended				
Mr. Lokeswara Rao Managing Director Promoter-Executive Director	04	04	Yes	3	1	Nil
B. Kishore Babu Promoter-Executive Director	04	04	Yes	2	1	1
M. Srinivas Promoter - Non Executive Director	04	03	Yes	2	1	Nil
M. Srikrishna Promoter-Executive Director	04	04	Yes	1	Nil	Nil
K. Krishna Swamy Non- Promoter, Executive Director	04	01	No	Nil	Nil	Nil
B. R. Mahesh Independent Non Executive Director	04	04	Yes	2	1	1
R. Mohan Reddy Independent Non Executive Director	04	04	Yes	2	3	1
M Hariprasada Rao Independent Non Executive Director	04	01	No	1	Nil	Nil
Smt Bhavana Rao Independent Nominee Director	04	02	No	9	Nil	Nil

Information on Directors appointment / re-appointment as required under Clause 49 IV (G) of the Listing Agreement with stock exchanges is given in the notes to the notice calling 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 (Independent and Non-Executive Director)
2. Mr. M Srinivas - Member (Non-Executive Director) and
3. Mr. R Mohan Reddy - Member (Independent and Non Executive Director)

c) Meetings and attendance during the year

During the period under review four Audit Committee Meetings were held on 14th May, 2012; 14th August, 2012; 12th November, 2012 and 14th February, 2013. The gap between two Audit meetings was not more than four months.

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	4
2	Mr. R Mohan Reddy	4	4
3	Mr. M Srinivas	4	3

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 (Independent and Non-executive Director),
2. Mr. B R Mahesh – Member (Independent and Non-executive Director)and
3. Mr. R Mohan Reddy – Member (Independent and Non-executive Director)

No meeting of the Remuneration Committee was held during the year under review.

- 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:

Rs. in Lakhs

Name of the Director	Salary	P.F	Other Allowance	Commission	Total
Mr. M. Lokeswara Rao (Managing Director)	42.00	0.09	-	13.54	55.63
Mr. B. Kishore Babu Executive Director	21.00	0.09	-	-	21.09
Mr. K. Krishna Swamy Whole-time Director	5.4	-	-	-	5.4
Mr. M. Srikrishna Whole-time Director	21.00	0.09	-	-	21.09

- 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 2012-13 is given below:

Name of Director	Sitting Fees paid (Rs)
Mr. B R Mahesh	60000
Mr. R Mohan Reddy	60000
Mr. M Srinivas	40000
Mr. M Hariprasada Rao	20000
Smt. Bhavana Rao	20000

The fees payable for attending the meetings of the Board or the Committees has been changed from Rs. 10000 /- per meeting to Rs 5000/-.

f) Shareholdings of Non Executive Directors as on March 31, 2013:

Mr. B R Mahesh, Mr. R Mohan Reddy, Mr. M Hariprasada Rao, the Non Executive Independent Directors of the company and Smt. Bhavana Rao Independent Nominee Director of the company, do not hold any shares of the Company. Mr. M Srinivas Promoter and Non executive Director holds 1,076,400 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 (Independent and Non-executive Director)
2. Mr. M Srikrishna – Member (Executive Director)and
3. Mr. B Kishore Babu – Member (Executive Director)

During the period under review Three Shareholders Grievance Committee Meetings were held on 29th April, 2012, 26th October, 2012 and 10th December, 2012.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	3	3
2	Mr. M Srikrishna	3	3
3	Mr. B Kishore Babu	3	3

Compliance Officer

The Board has appointed Mr. D.Raghavendra Rao, the Company Secretary as Compliance Officer.

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

Details of Investor’s Complaints:

There were no complaints pending at the beginning of the year, the Company has received 6 Complaints during the year. The company resolved all of them during the year under review. There are no outstanding complaints as on 31st March, 2013.

VI General Meetings:

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

Year	AGM	Venue	Date	Time
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.
2010-11	27 th	Jubilee Hills International Centre Near Jubilee Hills Check Post, Road No. 14, Hyderabad-500 033.	30/09/2011	4.30 P.M.
2011-12	28 th	Jubilee Hills International Centre Near Jubilee Hills Check Post, Road No. 14, Hyderabad-500 033.	29/09/2012	04:00 P.M.

Special resolutions

All resolutions moved at the last 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
29-09-2012	Nil	Nil
30-09-2011	Nil	Nil
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.

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 2012-13 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 2013.

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

During the financial year ended March 31, 2013, there were no proceeds from public issues right 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 2012-13.

IX General Shareholder Information

a. Annual General Meeting

Date, time and venue of Annual General Meeting	September 28th, 2013, at 11.00 AM at 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
a) Annual General Meeting for 2013-14 : September 30, 2014
b) Results for the quarter ending June 30, 2013: on and before 14th August, 2013
c) Results for the quarter ending September 30, 2012 : on or before 14th November, 2013
d) Results for the quarter ending December 31, 2013: on or before 14th February, 2014
e) Results for the quarter ending March 31, 2014: on or before 15th May, 2014

c. Date of Book Closure (both days inclusive)	September 24, 2013 to September 28, 2013 both days inclusive
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d. Dividend Payment Due Date(7.5%) dividend recommended by the Board of Directors)	On or before 27-10-2013
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e. Listing on Stock Exchanges	The Bombay Stock Exchange Limited P.J.Towers, Dalal Street, Mumbai – 400001
	The National Stock Exchange of India Limited Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400051

Annual Listing fees have been paid for both BSE & NSE.



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	<p>The Company's equity shares are available for dematerialization on both the Depositories i.e.</p> <ol style="list-style-type: none">1. The National Securities Depository Ltd Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parle Mumbai – 4000132. Central Depository Services (India) Ltd Phiroze Jeejeebhoy Towers, 28th Floor Dalal Street, Mumbai – 400023 <p>The International Securities Identification Number (ISIN) allotted to the Company's scrip is ISIN: INE397H01017.</p> <p>99.78% of equity shares are held in dematerialised form as on March 31, 2013.</p>
h. Registered Office Address (for correspondence)	B-29, EEIE, Stage II Balanagar Hyderabad – 500 037
i. Registrar and Share Transfer Agent's Contact Address	Karvy 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. D.Raghavendra Rao 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

- i. Plant locations
- investorinfo@lokeshmachines.com
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 2012-13, the Company has not issued any GDRs/ADRs and there are no outstanding warrants as on 31st March, 2013.

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, 2013

S.No	Category (Amount)	Numbers of shareholders	% of shareholders	Number of shares	% of shares
1.	1 to 5000	10773	90.06	1266881	10.76
	5001-10000	581	4.87	477631	4.05
	10001-20000	273	2.28	417720	3.55
	20001-30000	119	1.00	305953	2.60
	30001-40000	51	0.42	180223	1.53
	40001-50000	29	0.24	138867	1.18
	50001-100000	53	0.44	379076	3.22
	100001 & Above	83	0.69	8611049	73.11
	Total	11962	100.00	1,17,77,400	100.00

Shareholding pattern as on March 31, 2013

Category	No of Shareholders	Total Shares	% of Equity
Promoter & Promoter Group & HUF	33	6543275	55.55
Resident Individuals	11089	3866227	32.82
Bodies Corporate	258	643060	5.46
Indian Institutional Investors	1	370000	3.14
H U F	469	265450	2.25
Non Resident Indians	102	78417	0.67
Trusts	1	49	0.0004
Clearing Members	9	10922	0.09
Total	11962	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 2012-13 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 12	41.00	35.00	17,664	17,010	40.90	35.00	5378	5154
May 12	42.20	33.00	17,432	15,809	39.00	33.25	5279	4803
Jun 12	36.70	33.50	17,448	15,748	36.00	33.05	5286	4770
July 12	44.50	34.10	17,631	16,598	44.65	34.20	5740	5453
Aug 12	36.75	30.95	17,972	17,026	36.75	30.10	5399	4720
Sep 12	34.00	31.00	18,869	17,250	33.95	31.00	5709	5215
Oct 12	34.45	30.60	19,137	18,393	34.80	30.50	5815	4888
Nov 12	34.70	28.70	19,372	18,255	32.70	28.45	5885	5548
Dec 12	32.00	28.70	19,612	19,149	31.85	28.25	5965	5823
Jan 13	35.70	28.75	20,203	19,508	35.25	28.25	6111	5935
Feb 13	31.75	25.50	19,966	18,793	32.05	25.25	6052	5671
Mar 13	27.00	22.00	19,754	18,568	27.90	21.90	5494	5604



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, 2013

For Lokesh Machines Limited

Place: Hyderabad
Date: 12th August, 2013

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, 2013, 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 : 12th August, 2013

(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, 2013 and also the Statement of Profit and Loss 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, the Statement of Profit and Loss and Cash Flow statement dealt with by this report are in agreement with the books of account.
 - iv) In our opinion, the Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - v) On the basis of written representations received from the Directors, as on 31st March, 2013 and taken on record by the Board of Directors, we report that, none of the Directors is disqualified as on 31st March, 2013 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the Schedules annexed therewith give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2013;
 - b) in the case of the Statement of Profit and Loss, 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 : 25.05.2013

ANNEXURE TO THE AUDITOR'S REPORT

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 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 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. We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of manufacturing of machinery and job works and are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
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, 2013 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 : 25.05.2013

BALANCE SHEET AS AT MARCH 31, 2013 Rs. In Lakhs

PARTICULARS	Note No.	As at 31.03.13	As at 31.03.12
A. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital	1	1,177.74	1,177.74
(b) Reserves and Surplus	2	8,618.11	8,615.17
2. Non-Current liabilities			
(a) Long-term borrowings	3	4,937.96	4,854.53
(b) Deferred tax liabilities (Net)	4	783.92	784.59
(c) Other Long term liabilities	5	35.02	752.99
(d) Long term provisions	6	293.97	242.52
3. Current liabilities			
(a) Short-term borrowings	7	5,423.69	5,503.19
(b) Trade payables	8	2,533.40	2,396.91
(c) Other Current liabilities	9	4,619.15	3,139.75
(d) Short term provisions	10	299.18	221.35
TOTAL		28,722.14	27,688.74
B. ASSETS			
1. Non Current Assets			
(a) Fixed Assets			
Tangible assets	11	10,494.52	11,096.65
Intangible assets		38.31	26.26
Capital Work-in-Progress		2,475.27	1,248.65
(b) Non Current Investments	12	800.00	800.00
(c) Long term loans and advances	13	1,295.08	1,171.37
(d) Other non-current assets	14	1,000.25	905.67
2. Current Assets			
(a) Inventories	15	7,098.04	6,744.36
(b) Trade Receivables	16	2,782.11	2,996.66
(c) Cash and cash equivalents	17	276.52	354.35
(d) Short term loans and advances	18	1,663.53	1,639.79
(e) Other current assets	19	798.51	704.98
TOTAL		28,722.14	27,688.74
Accounting Policies and Notes on Accounts	27		

The Notes referred to above, form an integral part of these Financial statements.
As per our report of even date attached

For **BRAHMAYYA & CO**
Chartered Accountants
Firm's Registration No : 000513S

FOR AND ON BEHALF OF THE BOARD

K.S.RAO
Partner
Membership No. 15850

M. LOKESWARA RAO
Managing Director

B.KISHORE BABU
Executive Director

D. RAGHAVENDRA RAO
Company Secretary

Place: Hyderabad
Date: May 25, 2013

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2013
Rs. In Lakhs

Particulars	Refer Note No.	Current year 31.03.2013	Previous year 31.03.2012
I INCOME			
Revenue from Operations	20	14,026.53	16,394.07
Other Income	21	46.09	87.62
Capitive consumption		290.12	438.66
Total Revenue		14,362.74	16,920.35
II EXPENSES			
Cost of Material consumed	22	6,560.07	9,058.64
Changes in inventories of finished goods and work in progress	23	(461.47)	(1,230.63)
Employee benefits expense	24	2,457.46	2,755.76
Finance costs	25	2,083.92	1,512.23
Depreciation and amortization expenses	11	961.15	845.73
Other expenses	26	2,610.99	2,731.20
Total Expenses		14,212.12	15,672.93
III Profit before taxes		150.62	1,247.42
IV Tax expenses :			
- Current year Income Tax		45.00	250.00
- Earlier years I.T short provision			52.15
- Deferred Tax		(0.66)	185.44
		44.34	487.59
V Profit for the year after taxes		106.28	759.83
VI Earning per equity share (Amount in Rs)			
Basic		0.90	6.45
Diluted		0.90	6.45
Accounting Policies and Notes on Accounts	27		

The Notes referred to above, form an integral part of these Financial statements.
As per our report of even date attached

For **BRAHMAYYA & CO**
Chartered Accountants
Firm's Registration No : 000513S

FOR AND ON BEHALF OF THE BOARD

K.S.RAO
Partner
Membership No. 15850

M. LOKESWARA RAO
Managing Director

B.KISHORE BABU
Executive Director

D. RAGHAVENDRA RAO
Company Secretary

Place: Hyderabad
Date: May 25, 2013

NOTE 1 - SHARE CAPITAL **Rs. In Lakhs**

Particulars	As at 31.03.2013		As at 31.03.2012	
	Number	Value	Number	Value
Authorised				
Equity Shares of Rs.10 each	17,500,000	17,500,000	12,500,000	12,500,000
	17,500,000	17,500,000	12,500,000	12,500,000
Issued, Subscribed and Paid-Up				
Equity Shares of Rs.10 each	11,777,400	1,177.74	11,777,400	1,177.74
Total	11,777,400	1,177.74	11,777,400	1,177.74

(a) Disclosure pursuant to Note 6(A)(d) of Part 1 of Schedule VI to the Company Act, 1956

Particulars	31.03.2013	31.03.2012
Equity shares outstanding at the beginning of the year	11,777,400	11,777,400
Issued during the year	-	-
Equity Shares redeemed/bought back during the year	-	-
Equity shares outstanding at the end of the year	11,777,400	11,777,400

(b) Details of Share Holders holding more than 5% of shares in the Company.

Particulars	As at 31.03.2013		As at 31.03.2012	
	No of shares	% of Holding	No of shares	% of Holding
M.Lokeswara Rao	655,072	5.56	642,217	5.45
M.Vijayalakshmi	1,235,952	10.49	722,929	6.14
M.Srinivas	1,076,400	9.14	1,076,400	9.14
M.Srikrishna	1,109,931	9.42	1,109,931	9.42
B.Kishore babu	807,687	6.86	807,687	6.86

NOTE 2 - RESERVES AND SURPLUS
Rs. In Lakhs

Particulars	As At 31.03.2013	As At 31.03.2012
(a) Capital Reserve (Central Subsidy)		
At the Commencement of the year	15.00	15.00
Closing Balance	15.00	15.00
(b) Capital Redemption Reserve		
At the Commencement of the year	150.00	150.00
Closing Balance	150.00	150.00
(c) Securities Premium		
At the Commencement of the year	4,334.87	4,334.87
Closing Balance	4,334.87	4,334.87
(d) General Reserve		
At the Commencement of the year	425.00	425.00
Closing Balance	425.00	425.00
(e) Surplus		
At the Commencement of the year	3,690.30	2,998.91
Add: Current year profit	106.28	759.83
	3,796.58	3,758.74
Less: Equity Dividend	88.33	58.89
Corporate Dividend Tax	15.01	9.55
Closing Balance	3,693.24	3,690.30
Total	8,618.11	8,615.17

NOTE 3 - LONG TERM BORROWINGS
Rs. In Lakhs

Particulars	As At 31.03.2013	<i>As At 31.03.2012</i>
I Term Loans		
a) State Bank of Hyderabad -Term loan - 1	826.96	916.35
b) State Bank of Hyderabad -Term loan - 2	221.33	314.68
c) State Bank of Hyderabad -Term loan - 3	325.00	11.45
d) State Bank of Hyderabad -Term loan - WCDL	35.39	106.93
e) Punjab National Bank -Term loan - 1	432.74	521.99
f) Punjab National Bank -Term loan - 2	193.54	275.20
g) Punjab National Bank -Term loan - 3	1,023.00	1,235.00
h) Punjab National Bank -Term loan - WCDL	0.00	12.50
i) State Bank of India -Term loan - 1	300.12	399.71
j) State Bank of India -Term loan - 2	716.13	0.00
k) Non Convertible Debentures from IFCI Venture	522.57	0.00
l) Intec Capital Ltd	318.22	0.00
Total	4,915.00	3,793.81

- The Loans referred at (a), (e), (i) above are secured by 1st pari-passu charge by hypothecation of movable fixed assets (Plant & Machinery), Buildings at Balanagar created out of bank finance and Land at Toopran as per Machine Division expansion plan and guaranteed by Managing Director and Executive Director & 2nd pari-passu charge on the fixed assets of the company (other than project assets exclusively financed) and current assets of the company.
- The Loans referred at (b), (f), above are secured by 1st pari-passu charge by hypothecation of land & buildings and Plant & Machinery, created out of bank finance as per 2DI first phase expansion plan and guaranteed by Managing Director and Executive Director & 2nd pari-passu charge on the fixed assets of the company (other than project assets exclusively financed) and current assets of the company.
- The Loans referred at (c) above are secured by 1st pari-passu charge by hypothecation of movable fixed assets (Plant & Machinery), created out of bank finance as per 2DI second phase expansion plan and guaranteed by Managing Director and Executive Director & 2nd pari-passu charge on the fixed assets of the company (other than project assets exclusively financed) and current assets of the company.
- The Loans referred at (g) & (j) above are secured by 1st pari-passu charge by hypothecation of land & buildings and Plant & Machinery, created out of bank finance as per 2DI and Connecting rod expansion plan at Pune and guaranteed by Managing Director and Executive Director & 2nd pari-passu charge on the fixed assets of the company (other than project assets exclusively financed) and current assets of the company.
- The Loans referred at (d), (h) above are secured by 1st pari-passu charge by hypothecation of fixed assets of the company and guaranteed by Managing Director and Executive Director & 2nd pari-passu charge on current assets of the company. The loan referred at (l) above are secured by 1st charge by hypothecation of Plant & Machinery created out of finance and guaranteed by Managing Director and Director.
- The NCD's referred at (k) are secured by mortgage of land of 26.34 Acres located at Part-B, Automotive Park at survey No 148 of Kalakkal village, Toopan Mondal, Medak Dist, Andhra Pradesh and further secured by pledge the shares of 5,00,000 held by promoters and further guaranteed by promoters.

Rs. In Lakhs

Particulars		As At 31.03.2013	As At 31.03.2012	
Terms of Repayments				
	Sanction date	Rate of Interest	Quarterly	
a)	State Bank of Hyderabad -Term loan - 1	18.06.2009	13.70%	20
b)	State Bank of Hyderabad -Term loan - 2	18.06.2009	14.70%	20
c)	State Bank of Hyderabad -Term loan - 3	29.06.2010	14.95%	20
d)	State Bank of Hyderabad -Term loan-WCDL	18.06.2009	15.95%	12
e)	Punjab National Bank -Term loan - 1	19.10.2009	14.50%	20
f)	Punjab National Bank -Term loan - 2	19.10.2009	14.50%	20
g)	Punjab National Bank -Term loan - 3	15.11.2010	14.50%	24
h)	Punjab National Bank -Term loan - WCDL	19.10.2009	14.50%	12
i)	State Bank of India -Term loan - 2	26.06.2009	14.40%	20
j)	State Bank of India -Term loan - 3	25.07.2012	14.40%	28
II Vehicle Hire Purchase Loans		22.96	29.02	
		22.96	29.02	

1 Hire Purchase Loans above are secured by hypothecation of the respective asset and guaranteed by one of the Directors of the Company

2 Terms of Repayment : Monthly Installments.

III Unsecured Loans

Loans from Mahindra Finance	0.00	100.20
	0.00	100.20
IV Optionally Convertible Debentures (OCD's) from IFCI	0.00	931.50
	0.00	931.50
Total (I+II+III+IV)	4,937.96	4,854.53

a) During the financial year, on the date of completion of tenure of Optionally Convertible Debentures (OCD's), the Company has issued 20,70,000 Secured Non Convertible Debentures (NCD's) of face value of Rs. 59.40 against each of the OCD's not bought back by Promoters or their Nominees & not opted for conversion by IFCI Venture. These NCD's to be redeemed with in the period of 2 years from the date of issue.

NOTE 4 - DEFERRED TAX LIABILITIES(NET)
Rs. In Lakhs

Particulars	As At 31.03.2013	As At 31.03.2012
Deferred tax liability		
Difference between book and tax depreciation of fixed assets	897.11	880.69
Deferred tax asset		
On account of provisions charged to the statement of profit and loss but not allowed as per Income tax Act.		
Gratuity provision	50.01	37.99
Leave encashment provision	47.64	42.57
Provision for doubtful debts	15.54	15.54
	113.19	96.10
Total	783.92	784.59

NOTE 5 - OTHER LONG TERM LIABILITIES
Rs. In Lakhs

Particulars	As At	As At
	31.03.2013	31.03.2012
Creditors for Capital expenditure	35.02	572.52
Advances from customers	0.00	180.47
Total	35.02	752.99

NOTE 6 - LONG TERM PROVISIONS
(a) Provision for employee benefits

Gratuity	150.54	114.38
Leave Encashment	143.43	128.14
Total	293.97	242.52

NOTE 7 - SHORT TERM BORROWINGS
Secured
(a) Loans repayable on demand from banks

1. State Bank of Hyderabad		
Cash Credit	593.95	202.76
WCDL	960.00	960.00
2. State Bank of India		
WCDL	1,846.43	1,323.30
Adhoc	0.00	700.00
3. Punjab National Bank		
Cash Credit	190.35	94.15
WCDL	760.00	600.00
4. Indusind Bank - Cash Credit	1,027.96	792.98
5. Barclays Bank	0.00	700.00
Total	5,378.69	5,373.19

1 Working capital limits from consortium banks are secured by way of :

- i) Primary : pari-passu first charge by way of hypothecation of stocks of raw material, semi finished goods, finished goods, stores and spares, book debts and all movable and other current assets of the company.
- ii) Collateral : (i) pari-passu first charge by way of Equitable Mortgage of land & buildings at B-36, 15&17,25&27, Plot No 41 at Balanagar, Land & Buildings at Bonthapalli and Medchel except the relating to the specific term loans.
(ii) pari-passu second charge by way of Equitable Mortgage of fixed assets of the Company.

(b) Other loans

From Companies	45.00	130.00
	45.00	130.00
Total (a+b)	5,423.69	5,503.19

NOTE 8 - TRADE PAYABLES

Trade payables for supplies and services	2,533.40	2,396.91
Total	2,533.40	2,396.91

a) There are no delays in payments to Micro and Small enterprises as required to be disclosed under the Micro, Small and Medium Enterprises Development Act 2006. The information regarding Micro and Small enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company.

NOTE 9 - OTHER SHORT TERM LIABILITIES
Rs. In Lakhs

Particulars	As At 31.03.2013	As At 31.03.2012
(1) Current maturities of long-term debt		
a) State Bank of Hyderabad -Term loan - 1	272.52	163.52
b) State Bank of Hyderabad -Term loan - 2	106.68	53.32
c) State Bank of Hyderabad -Term loan - 3	120.00	100.00
d) State Bank of Hyderabad -Term loan - WCDL	107.36	143.32
e) Punjab National Bank -Term loan - 1	127.52	76.52
f) Punjab National Bank -Term loan - 2	93.32	46.68
g) Punjab National Bank -Term loan - 3	212.00	212.00
h) Punjab National Bank -Term loan - WCDL	12.50	50.00
i) State Bank of Hyderabad -Term loan - 1	100.00	60.00
j) State Bank of Hyderabad -Term loan - 2	20.00	0.00
k) Non Convertible debentures from IFCI	522.57	0.00
l) Intec Capital Ltd	91.87	0.00
m) Vehicle hire purchase loans	19.34	18.70
n) Unsecured loans from Companies	141.38	216.46
	1,947.06	1,140.52
(b) Interest accrued and due on borrowings	248.90	110.69
(c) Interest accrued but not due on NCD's	78.39	0.00
(d) Unpaid dividends	3.34	3.04
(e) Other payables-Statutory	54.56	70.46
(f) Other payables	379.98	208.33
(g) Advances received against property sale	171.00	0.00
(h) Advances received against sales	1,735.92	1,606.71
	2,672.09	1,999.23
Total	4,619.15	3,139.75

(a) Interest accrued and due on borrowings has been debited by the bank on 1st April 2012.

NOTE 10 - SHORT TERM PROVISIONS

(a) Provisions for employee benefits		
Salary & Wages	132.12	95.57
Bonus Payable	63.72	57.34
(b) Others (Specify nature)		
Proposed Equity Shares dividend	88.33	58.89
Corporate Dividend Tax	15.01	9.55
Total	299.18	221.35

Notes to the Financial Statements for the year ended March 31, 2013

NOTE 11 - FIXED ASSETS

Rs. in Lakhs

SL. No	Particulars	Gross Block				Depreciation				Net Block	
		As at 01.04.12	Additions	Deductions	As at 31.03.13	Upto 31.03.12	For the Period	Deductions	Upto 31.03.13	As at 31.03.13	As at 31.03.12
A	Tangible Assets										
1)	Freehold Land	1,631.52			1,631.52	-	-	-	-	1,631.52	1,631.52
2)	Buildings	2,390.79	86.26		2,477.05	384.13	79.80		463.93	2,013.12	2,006.66
3)	Plant and Machinery	10,795.50	107.34		10,902.84	4,576.29	662.63		5,238.92	5,663.92	6,219.21
4)	Furniture & Fixtures	52.21	41.31		93.52	33.71	3.38		37.09	56.43	18.50
5)	Vehicles	307.91	22.55		330.46	185.70	35.30		221.00	109.46	122.21
6)	Misc. Equipment	1,499.01	85.79		1,584.80	485.79	142.98		628.77	956.03	1,013.22
7)	Office Equipment	63.41	0.33		63.74	21.82	5.55		27.37	36.37	41.59
8)	Computers	269.89	8.92		278.81	226.15	24.99		251.14	27.67	43.74
	Total	17,010.24	352.50	-	17,362.74	5,913.59	954.63	-	6,868.22	10,494.52	11,096.65
B	Intangible Assets										
	Computer software	42.28	18.57		60.85	16.02	6.52		22.54	38.31	26.26
		42.28	18.57	-	60.85	16.02	6.52	-	22.54	38.31	26.26
	Total	17,052.52	371.07	-	17,423.59	5,929.61	961.15	-	6,890.76	10,532.83	11,122.91
	<i>March 31, 2012</i>	<i>12,307.26</i>	<i>4,762.38</i>	<i>17.12</i>	<i>17,052.52</i>	<i>5,085.35</i>	<i>845.73</i>	<i>1.47</i>	<i>5,929.61</i>	<i>11,122.91</i>	
C	Capital work inpro	1,248.65	1,226.62		2,475.27					2,475.27	1,248.65

NOTE 12 -NON CURRENT INVESTMENTS
Rs. In Lakhs

Particulars	As At 31.03.2013	As At 31.03.2012
(At Cost, Non Trade, Long term)		
Investment in Group Companies		
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
Total	800.00	800.00

NOTE 13 - LONG TERM LOANS AND ADVENCES
(Un secured - considered good)

Capital advances	1,295.08	1,171.37
Total	1,295.08	1,171.37

Capital advances includes Rs.1293.36 lakhs(Previous year Rs. 1124.40 lakhs) given to the group companies towards purchase of Land and Machinery.

NOTE 14 - OTHER NON CURRENT ASSETS
(Un secured - considered good)

Deposits Recoverable (APCPDCL, Telephone & Others)	200.72	82.47
Trade Receivables	799.53	823.20
Total	1,000.25	905.67

1. Trade receivables include Rs.434.12 Lakhs (Previous Year Rs. 434.12 Lakhs) due from Group companies.

NOTE 15 - INVENTORIES
(As certified by the Management)

a) Raw Materials & Components	910.20	1,017.99
b) Finished Goods	522.73	542.34
c) Work-in-Progress	5,658.94	5,168.13
d) Scrap (at realisable value)	6.17	15.90
Total	7,098.04	6,744.36

1 Raw materials and Components are at cost on first in first out basis(FIFO)

2 Finished good and work in progress are valued at lower of cost and net realizable value on full absorption cost basis.

NOTE 16 -TRADE RECEIVABLES
Rs. In Lakhs

Particulars	As At 31.03.2013	As At 31.03.2012
Receivables for a period exceeding six months		
Un secured, Considered Good	671.04	628.22
Un secured, Considered Doubtful	46.79	46.79
	717.83	675.01
Less: Provision for doubtful receivables	46.79	46.79
	671.04	628.22
Receivables for a period less than six months		
Un secured, Considered Good	2,111.07	2,368.44
Total	2,782.11	2,996.66
NOTE 17 - CASH AND BANK BALANCES		
a) Cash and cash equivalents		
Cash on hand	7.92	4.15
Balances with banks:		
Current accounts with Scheduled Banks	29.40	52.88
Balance with Banks against Dividend payments	3.60	3.30
b) Other bank balances		
Margin money deposit against Letter of credits and Bank Guarantees	235.60	211.02
c) Fixed Deposits		
	-	83.00
Total	276.52	354.35
NOTE 18 - SHORT TERM LOANS AND ADVANCES		
(Un secured - considered good)		
Advances for suppliers & Expenses	603.24	1,176.18
Advances for capital works	1,030.46	434.49
Other advances	29.83	29.12
Total	1,663.53	1,639.79
NOTE 19 - OTHER CURRENT ASSETS		
(Un secured - considered good)		
Balance with Central Excise authorities	542.13	621.65
Provision for Income Tax (Net)	194.33	37.93
Interest accrued on deposits	25.09	32.63
Prepaid expenses	36.96	12.77
Total	798.51	704.98

NOTE 20 -REVENUE FROM OPERATIONS
Rs. In Lakhs

Particulars	Current year	Previous year
	31.03.2013	31.03.2012
Sale of Machines -Domestic	8,658.06	10,859.42
Sale of Machines -Export	744.88	23.89
Sale of Spares	288.52	154.85
Job work charges	6,746.09	8,043.66
Scrap Sales	92.96	97.50
	16,530.51	19,179.32
Less : Excise duty	2,503.98	2,785.25
Total	14,026.53	16,394.07

Detail of sales	2012-13		2011-12	
	Qty	Value	Qty	Value
Special Purpose Machines	24	2,414	19	2,059.19
Special Purpose Machines	21	3,473.64	24	2,414.02
General Purpose Machines (ind)	274	5,184.42	483	8,445.40
GPM Machies exports	35	744.88	2	23.89
Spares & Scrap		381.48		252.35
Jobwork charges		6,746.09		8,043.66
	330	16,530.51	509	19,179.32

NOTE 21 - OTHER INCOME

Interest earned	32.73	69.66
Exchange gain (Net)	-	1.27
Profit on sale of Asset	-	1.47
Miscellaneous Income	13.36	15.22
Total	46.09	87.62

NOTE 22 - COST OF MATERIAL CONSUMED

Opening stock	1,017.99	865.82
Add: Purchase	6,452.28	9,210.81
	7,470.27	10,076.63
Less: Closing Stock	910.20	1,017.99
Total	6,560.07	9,058.64

Value of imported and Indigenious Material consumed

	2012-13		2011-12	
	Value	%	Value	%
Imported at landed cost	724.94	11.05	930.40	10.27
Indigenously obtained	5,835.13	88.95	8,128.24	89.73
	6,560.07	100.00	9,058.64	100.00

The details of material consumed are not given as they consist of various types, which are not practicable to give.

NOTE 23 - CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS
Rs. In Lakhs

Particulars	Current year 31.03.2013	Previous year 31.03.2012
Opening Stock		
Finished Goods	542.34	480.93
Work-in-Progress	5,168.13	4,009.10
Scrap	15.90	5.71
	5,726.37	4,495.74
Closing Stock		
Finished Goods	522.73	542.34
Work-in-Progress	5,658.94	5,168.13
Scrap	6.17	15.90
	6,187.84	5,726.37
Total	(461.47)	(1,230.63)
NOTE 24 - EMPLOYEE BENEFITS EXPENSE		
Salaries, Wages and Bonus	2,272.53	2,502.38
Contribution to PF,ESI and Other Funds	111.80	151.69
Staff Welfare expenses	73.13	101.69
Total	2,457.46	2,755.76
Employee benefits expenses include managerial remuneration as detailed below:		
Salary	90.60	89.40
Provident Fund	0.28	0.28
Sitting fees	2.00	3.29
Commission	0.00	13.49
Total	92.88	106.46
NOTE 25 - FINANCE COSTS		
Interest expenses	1,981.76	1,424.88
Bank charges	102.16	87.35
Total	2,083.92	1,512.23
NOTE 26 - OTHER EXPENSES		
Consumable Stores	153.22	150.58
Job works (processing charges)	430.31	560.65
Packing material	128.05	152.20
Freight and cartage	161.15	166.36
Power and fuel	884.14	720.69
Design stationery	0.67	3.56
Testing charges	1.65	1.63
Repairs and Maintenance - Plant and Machinery	64.23	112.72

NOTE 26 - OTHER EXPENSES (Contd...)

Particulars	Current year 31.03.2013	Previous year 31.03.2012
Rent	1.92	1.91
Rates and Taxes	31.53	17.56
Insurance	12.66	11.56
Travelling and Conveyance	234.47	241.42
Printing and Stationery	24.30	35.17
Postage and Telephones	26.44	33.05
Vehicles Maintenance	58.94	59.59
Directors Sitting Fee	2.00	3.29
Sales Commission	49.48	73.66
Professional Charges	64.92	93.93
Auditor's Remuneration :		
- As Auditors	5.00	5.62
Business Promotion Expenses	14.18	22.45
Advertisement	4.26	3.91
Donations	0.24	1.02
Miscellaneous Expenses	58.56	98.68
Security Charges	52.65	47.85
Exhibition expenses	8.72	4.07
Excise duty relating to Finished Goods	(2.15)	14.75
Service charges	75.36	77.32
Liquidity damages	18.73	16.00
Bad debts written off	5.66	-
Exchange variance	39.70	-
Total	2,610.99	2,731.20

NOTE 27 - NOTES FORMING PART OF ACCOUNTS

A SIGNIFICANT ACCOUNTING POLICES

1 Basis of Accounting

The Company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis. The accounts are prepared on historical cost convention and in accordance with 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 net of accumulated depreciation. Expenditure during construction period including interest on borrowings for new major projects are capitalized till the commencement of commercial production.
- (b) Depreciation is provided at the rates specified under section 205 read with Schedule XIV of the Companies Act, 1956 as follows:

In respect of Plant & Machinery and Buildings : Straight Line Method

Other fixed Assets : Written down value method

3 Inventories

- (a) Raw Materials, 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 Foreign Currency Transactions

Foreign currency transactions are recorded at the rates prevailing on the date of the transactions. Monetary assets and liabilities in foreign currency are translated at year end rate or at the rates of exchange fixed under contractual arrangements. Exchange differences arising on settlement of transaction and translation of monetary items are recognized as income or expense.

5 Contingent Liabilities

No liability is provided in respect of contingent liabilities, but only mentioned by way of note to accounts.

6 Retirement Benefits

Company's contribution to Provident fund determined under the relevant statute are charged to revenue. The gratuity contribution has been made on the basis of actuarial valuation under AS 15 given by Life Insurance Company. The liability for leave encashment is provided for on the basis of accrued leaves at the end of the year.

7 Accounting For Income Tax

Current tax represents the amount that otherwise would have been payable under the Income tax Act 1961, had the financial year been reckoned as the basis for computation of tax payable under the prevailing tax laws.

8 Deferred Income tax

Deferred Tax being tax on timing difference between taxable income and accounting income that originate in one year and capable of reversal in one or more subsequent years has been recognized. Deferred tax asset is recognized only if there is reasonable that it will be realized and will be reviewed for the appropriateness of its respective carrying value at each balance sheet date

9 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.

10 Sales

Sales represent the amount realised or realisable for goods sold including excise duty.

B NOTES TO ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS.

Particulars	Rs. In lakhs	
	As on 31.03.2013	As on 31.03.2012
1 Contingent Liabilities not provided for on account of :		
(a) Letter of Credit	778.84	1,731.61
(b) Bank Guarantees	825.37	565.57
(c) Interest on OCD's	0.00	171.54
(d) Contracts to be executed on capital projects	587.87	154.45
2 Earnings in Foreign Exchange FOB value of Exports	744.88	23.89
3 Expenditure in Foreign Currency.		
(a) Travel	8.07	18.66
(b) Captial Goods	544.84	676.64
(c) Stores & Components	622.18	710.89
4 Value of Imports calculated on CIF basis in respect of :		
(a) Stores, Spares & Components	696.35	976.89
(b) Captial Goods	544.84	693.13

5 Employee Benefits : Gratuity

Consequent to the adoption of Accounting Standard on Employees Benefits (AS-15) (Revised 2005) issued by the Institute of Chartered Accountants of India, the following disclosures have been made as required by the Standard for Acturial valuation of Gratuity.

The Company has created a Trust namely LML Employess Group Gratuity Trust vide Trust dated 01.03.1997 and obtained approvals from Income Tax Authorities vide letter No H.Qrs.I/GF/98-99 dated 23.03.1999. LIC has been appointed for management of the Trust fund for the benefits of the employees. The following tables summarize the components of net benefits.

Particulars	As on 31.03.13	As on 31.03.13
a Table showing changes in present value of obligations		
Present value of obligations as at beginning of year	129.15	107.40
Interest cost	10.33	8.59
Current Service Cost	9.47	8.54
Benefits Paid	-16.98	-16.08
Actuarial gain / (Loss) on obligations	13.32	20.70
Present value of obligations as at end of year	145.29	129.15
b Table showing changes in the fair value of plan assets		
Fair value of plan assets at beginning of year	25.00	26.39
Expected return on plan assets	1.86	1.84
Contributions	0.00	12.86
Benefits Paid	-16.98	-16.08
Actuarial gain / (Loss) on Plan assets	0.00	0.00
Fair value of plan assets at the end of year	9.88	25.00
c Table showing fair value of plan assets		
Fair value of plan assets at beginning of year	129.15	107.40
Actual return on plan assets	1.86	1.84
Contributions	0.00	12.86
Benefits Paid	-16.98	-16.08
Fair value of plan assets at the end of year	145.28	129.15
Funded status	135.41	104.15
Excess of Actual over estimated return on plan assets	Nil	Nil
(Actual rate of return = Estimated rate of return as ARD falls on 31st March)		
d Assumptions		
Discount rate	8%	8%
Salary Escalation	4%	4%

Employee Benefits : Actuarial valuation of Leave encashment

Consequent to the adoption of Accounting Standard on Employees Benefits (AS-15) (Revised 2005) issued by the Institute of Chartered Accountants of India, the following disclosure have been made as required by the standard for Actuarial valuation of Leave encashment.

	31.03.13	31.03.12
Profit & Loss Account		
Current Service cost	3.68	1.00
Interest Cost on benefit obligation	3.61	3.34
Expected return on plan assets		
Net Actuarial (gain). Loss recognised in the year	5.06	(0.98)
Past service cost		
Net Benefit expense	12.35	3.37
Actual return on Plan assets		
Balance Sheet		
Details of provision for Leave		
Change in the present value of the defined benefit obligation are as follows :		
Opening defined benefit obligation	45.10	41.74
Interest Cost	3.61	3.34
Current Service cost	3.68	1.00
Benefits Paid	0.00	0.00
Actuarial (gains) / losses on obligation	5.06	(0.98)
Closing defined benefit obligation	57.45	45.10

The principal assumptions used in determining leave and post employment medical benefit Obligations for the Company's plans are shown below:

Assumptions	%	%
Salary Rise	4	4
Discount rate	8	8
Attrition Rate	1	1

6 Related party disclosure as required by AS -18 are given under :

a) Transactions during the year

Rs. In Lakhs

Name of the party	Relationship	Nature of transaction	31.03.2013	31.03.2012
M.Lokeswara Rao Managing Director	Key Management	a) Remuneration b) Commission	42.00 -	42.00 13.49
B.Kishore Babu Executive Director	Key Management	a) Remuneration	21.00	21.00
B.Srikrishna Director	Key Management	a) Remuneration	21.00	21.00
K.Krishnaswamy Technical Director	Key Management	a) Remuneration	6.60	5.40
MLR Auto Ltd	Entity owned or significantly influenced by key Management Personnel	Purchase of Asset	82.92	145.37
MLR Motors Ltd	Entity owned or significantly influenced by key Management Personnel	Purchase of Asset	86.05	252.57

a) Transactions during the year
Rs. In Lakhs

Name of the party	Relationship	Nature of transaction	31.03.2013	31.03.2012
M.Lokeswara Rao Managing Director	Key Management	a) Remuneration	10.50	1.75
		b) Commission	-	13.49
		c) Purchase of asset	205.51	205.51
B.Kishore Babu Executive Director	Key Management	a) Remuneration	1.75	1.75
B.Srikrishna Director	Key Management	a) Remuneration	1.75	1.75
K.Krishnaswamy Technical Director	Key Management	a) Remuneration	0.55	0.45
C.Srirekha	D/o of M.Lokeswara Rao	a) Purchase of Asset	14.76	14.76
MLR Auto Ltd	Entity owned or significantly influenced by key management personnel	a) Purchase of Asset	902.76	819.84
		b) Sale of goods	74.08	74.08
MLR Motors Ltd	Entity owned or significantly influenced by key management personnel	a) Purchase of Asset	390.60	304.55
		b) Sale of goods	360.04	360.04
		c) Purchase of Machinery	-	112.46

7 Segment Information
Rs. In Lakhs

Particulars	Machine Division	Components Division	Unallocated	Total
Revenue				
External sales	8,669.41 (10,105.93)	5,357.12 (6,288.14)	-	14,026.53 (16,394.07)
Inter-segment sales	-	-	-	-
Total revenue	8,669.41 (10,105.93)	5,357.12 (6,288.14)	-	14,026.53 (16,394.07)
Segment Results	1,451.12 (2,096.13)	1,597.39 (1,503.85)	-	3,048.51 (3,599.98)
Corporate expenses			860.06 (927.95)	860.06 (927.95)
Other income				13.36 (17.96)
Interest income				32.73 (69.66)
Interest expenses				2,083.92 (1,512.23)
Profit before taxes				150.62 (1,247.42)
Taxes on income				44.34 (487.59)
Net profit				106.28 (759.83)
Segment Assets	18,145.56 (17,409.37)	10,576.58 (10,279.37)		28,722.14 (27,688.74)
Segment liabilities	12,427.30 (11,617.64)	6,498.99 (6,278.19)		18,926.29 (17,895.83)
Capital expenditure	730.15 (1,081.74)	867.53 (2,217.32)		1,597.68 (3,299.06)
Segment depreciation	304.01 (249.39)	657.14 (566.24)		961.15 (815.63)
Non-cash expenses other than depreciation			0.00	0.00

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 5.35% of its annual net sales. The management views the Indian market and export market as distinct geographical segments.

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.

In the opinion of the Board, the current assets and loans & advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated.

Previous year's figures have been re-grouped and/or reclassified wherever necessary to make them comparable with those of current year.

The Notes referred to above, form an integral part of these Financial statements.

As per our report of even date attached

For **BRAHMAYYA & CO**
Chartered Accountants
Firm's Registration No : 000513S

FOR AND ON BEHALF OF THE BOARD

K.S.RAO
Partner
Membership No. 15850

M. LOKESWARA RAO
Managing Director

B.KISHORE BABU
Executive Director

D. RAGHAVENDRA RAO
Company Secretary

Place: Hyderabad
Date: May 25, 2013

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013		Rs. in Lakhs
Particulars	Year ended 31.03.2013	Year ended 31.03.2012
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxes	150.62	1,247.42
Adjusted for		
Depreciation	961.15	845.73
Financial charges	2,083.92	1,512.23
Profit on sale of fixed assets, net	-	(1.47)
Interest Income	(32.73)	(69.66)
Operating profit before working capital changes	3,162.96	3,534.25
Adjustment for changes in		
Decrease/(Increase) in Receivables	151.55	(326.17)
Decrease/(Increase) in Inventories/Receivables	(353.68)	(1,382.80)
Decrease/(Increase) in Trade and other payables	(31.14)	1,054.00
Cash generated from operations	2,929.69	2,879.28
Direct taxes paid	(210.95)	(424.25)
Net Cash Flow from Operating activity (A)	2,718.74	2,455.03
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets including CWIP and capital advances	(1,721.40)	(3,602.24)
Proceeds from sale of fixed assets	-	17.12
Interest received	40.27	58.83
Net Cash Flow from Investing activity (B)	(1,681.13)	(3,526.29)
CASH FLOW FROM FINANCING ACTIVITIES		
Increase/(Decrease) in Bank Borrowings	810.47	2,772.80
Dividend paid	(58.58)	(117.75)
Interest paid	(1,867.33)	(1,484.35)
Net Cash Flow from Financing activity (C)	(1,115.44)	1,170.70
Net Increase/(decrease) in cash/cash equivalents A+B+C)	(77.83)	99.44
Add : Cash/Cash equivalents at the beginning of the year	354.35	254.91
Cash/Cash equivalents at the end of the year	276.52	354.35

The Notes referred to above, form an integral part of these Financial statements.

As per our report of even date attached

For **BRAHMAYYA & CO**
Chartered Accountants
Firm's Registration No : 0005135

FOR AND ON BEHALF OF THE BOARD

K.S.RAO
Partner
Membership No. 15850

M. LOKESWARA RAO
Managing Director

B.KISHORE BABU
Executive Director

D. RAGHAVENDRA RAO
Company Secretary

Place: Hyderabad
Date: May 25, 2013



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')
wherever applicable)

Saving	Current	Cash Credit
---------------	----------------	--------------------

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.

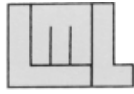
Place:

Date: _____

(Signature of Sole/First holder)

Notes:

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



Lokesh
Machines Limited

LOKESH MACHINES LIMITED

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

TWENTY NINTH 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 29th Annual General Meeting of the Company to be held at 11.00 A. M. on Saturday, September 28, 2013 at Jubilee Hills International Centre, Near Jubilee Hills check post, Road No 14, Hyderabad -500 033.

Signed this _____ day of _____ 2013

Re. 1/-
Revenue
Stamp

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 NINTH 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 29th Annual General Meeting held at 11.00 A.M. on Saturday, September 28, 2013 at Jubilee Hills International Centre, Near Jubilee Hills check post, Road No 14, Hyderabad -500 033.

Signature of the shareholder / proxy

47

**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

FORM A

1.	Name of the Company :	Lokesh Machines Limited
2.	Annual financial statements for the year ended :	31 st March 2013
3.	Type of Audit Observation	Un-qualified
4.	Frequency of Observation	N.A
5.	Signatures :	
	1.Managing Director	
	2.Chief Financial Officer	
	3.Auditors	
	4.Audit Committee Chairman	