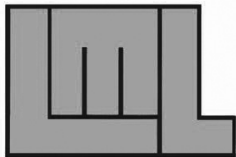


**ANNUAL REPORT
2017-2018**



**Lokesh
Machines Limited**

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BOARD OF DIRECTORS

Mr. M Lokeswara Rao	- Managing Director
Mr. B Kishore Babu	- Executive Director
Mr. M Srinivas	- Whole Time Director
Mr. M Srikrishna	- Whole Time Director
Mr. K Krishna Swamy	- Director
Mr. B R Mahesh	- Director
Mr. R Mohan Reddy	- Director
Mr. A.Vijay Kumar	- Director
Smt. Bhavana Rao	- Director

STATUTORY COMMITTEES

Audit Committee

Mr. B R Mahesh	- Chairman
Mr. R Mohan Reddy	- Member
Mr. M Srinivas	- Member

Nomination & Remuneration Committee

Mr. R Mohan Reddy	- Chairman
Mr. A.Vijay Kumar	- Member
Mr. B R Mahesh	- Member

Stakeholders Relationship Committee

Mr. R Mohan Reddy	- Chairman
Mr. B Kishore Babu	- Member
Mr. M Srikrishna	- Member

Chief Financial Officer(CFO)

V.Sudhakara reddy

Company Secretary

Mr. Matru Prasad Mishra

*With effect from 14.12.2017

BANKERS

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

AUDITORS

M/s K.S Rao & Co.,
Chartered Accountants
Flat No 602,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 Pvt. Ltd.
Karvy Selenium Tower B,
Plot No.31-32,Gachibowli
Financial District, Nanakramaguda,
Serilingampally,
Hyderabad - 500 008
Phone : +91 40 67161524
Fax : +91 40 23001153

REGISTERED OFFICE

B-29, EEIE, Stage II
Balanagar
Hyderabad – 500 037,Telangana, India
CIN: L29219TG1983PLC004319

WORKS

Temple Road, Bonthapally, Medak District, T.G	B – 25 & 36, EEIE, Stage II, Balanagar, Hyderabad, T.G	Ravalkol village, Medchal Mandal. Rangareddy Distt, T.G	Plot No 41, IDA Balanagar, Hyderabad T.G	Plot No D260/1 Ranjangaon Industrial Area, MIDC, Shirur, Pune, Maharashtra
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NOTICE

NOTICE is hereby given that the Thirty Four Annual General Meeting of the Members of Lokesh Machines Limited will be held on Saturday September 29th, 2018 at 03.00 P.M at Jubilee Hills International Centre, Near Jubilee Hills Check Post, Road No. 14, Hyderabad - 500 033 Telangana to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Financial Statements of the Company for the financial Year ended March 31, 2018 together with the report of the Board of Directors' and the Auditors' thereon.
2. To appoint a Director in place of Mr K Krishna Swamy (DIN: 00840887), who retires by rotation and being eligible offers himself for re-appointment.

SPECIAL BUSINESS:**3. Re-appointment of Mr. M. Lokeswara Rao as Managing Director:**

To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

“**RESOLVED THAT** pursuant to the provisions of Section 196, 197, 203 of the Companies Act, 2013 read with Schedule V thereof and the Companies (Appointment and Remuneration of Managerial Personnel), Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and as per the recommendations of Nomination & Remuneration Committee and as approved by the Board of Directors, consent of the Members of the Company be and is hereby accorded to the re-appointment of Mr. M. Lokeswara Rao (DIN: 00989447) as Managing Director of the Company for a period of 3 years with effect from 01st October, 2018 to 30th September, 2021 on the following terms and conditions.”

Period: 3 Years from 1st October, 2018 to 30th September, 2021

Salary of Rs. 5,00,000/- (Rupees Five Lakh only) per month.

He shall be entitled to receive the following:

- i) All expenses relating to telephone, mobile bills, and travelling, boarding, lodging and other expenses incurred for the purpose of business of the Company.
- ii) Any other allowances, benefits and perquisites, as the Board may from time to time decide in accordance with the Companies Act, 2013 & the Rules made thereunder, Income Tax Act, 1961/ Rules made thereunder, FEMA Guidelines and as per RBI Regulations.

RESOLVED FURTHER THAT notwithstanding the above, in the absence of or inadequacy of profits in any financial year Mr. M. Lokeswara Rao be paid the above remuneration as minimum remuneration subject to the requisite approval, if any, not exceeding the maximum limits laid down in Section II (A) of Part II of Schedule V of the Companies act, 2013.

RESOLVED FURTHER THAT pursuant to Section 196(3) read with Schedule V of the Companies act, 2013 approval of the members of the Company be and is hereby granted for continuation of holding office of Managing Director by Mr. M.Lokeswara Rao (DIN: 00989447) who has attained the age of 70 years , as per the above mentioned terms and conditions.

RESOLVED FURTHER THAT so long as Mr. M. Lokeswarar Rao functions as the Managing Director of the Company he will not be paid any fees for attending the meetings of the Board of Directors or Committee thereof.

“**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to do all acts and take all such necessary steps as may be necessary, proper or expedient to give effect to this resolution”.

4. Re-appointment of Mr. B Kishore Babu as a Whole time Director :

To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

“**RESOLVED THAT** pursuant to the provisions of Section 196, 197, 203 of the Companies Act, 2013 read with Schedule V thereof and the Companies (Appointment and Remuneration of Managerial Personnel), Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and as per the recommendations of Nomination & Remuneration Committee and as approved by the Board of Directors, consent of the Members of the Company be and is hereby accorded to the re-appointment of Mr. B. Kishore Babu (DIN: 00840630) as Whole-time Director of the Company for a period of 3 years with effect from 01st October, 2018 to 30th September, 2021 on the following terms and conditions.”

Period: 3 Years from 1st October, 2018 to 30th September, 2021

Salary of Rs. 3,25,000/- (Rupees Three Lakh and Twenty Five Thousand only) per month.

He shall be entitled to receive the following:

- i) All expenses relating to telephone, mobile bills, and travelling, boarding, lodging and other expenses incurred for the purpose of business of the Company.
- ii) Any other allowances, benefits and perquisites, as the Board may from time to time decide in accordance with the Companies Act, 2013 & the Rules made thereunder, Income Tax Act, 1961/ Rules made thereunder, FEMA Guidelines and as per RBI Regulations.

RESOLVED FURTHER THAT notwithstanding the above, in the absence of or inadequacy of profits in any financial year Mr. B. Kishore Babu be paid the above remuneration as minimum remuneration subject to the requisite approval, if any, not exceeding the maximum limits laid down in Section II (A) of Part II of Schedule V of the Companies act, 2013.

RESOLVED FURTHER THAT so long as Mr. B. Kishore Babu functions as the Wholetime Director of the Company he will be not paid any fees for attending the meetings of the Board of Directors or Committee thererof.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts and take all such necessary steps as may be necessary, proper or expedient to give effect to this resolution”.

5. Re-appointment of Mr. M. Srinivas as a Whole time Director :

To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

“**RESOLVED THAT** pursuant to the provisions of Section 196, 197, 203 of the Companies Act, 2013 read with Schedule V thereof and the Companies (Appointment and Remuneration of Managerial Personnel), Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and as per the recommendations of Nomination & Remuneration Committee and as approved by the Board of Directors, consent of the Members of the Company be and is hereby accorded to the re-appointment of Mr. M. Srinivas (DIN: 00917565) as Whole-time Director of the Company for a period of 3 years with effect from 01st October, 2018 to 30th September, 2021 on the following terms and conditions.”

Period: 3 Years from 1st October, 2018 to 30th September, 2021

Salary of Rs. 3,25,000/- (Rupees Three Lakh and Twenty five thousand only) per month.

II. He shall be entitled to receive the following:

- i) All expenses relating to telephone, mobile bills, and travelling, boarding, lodging and other expenses incurred for the purpose of business of the Company.

- ii) Any other allowances, benefits and perquisites, as the Board may from time to time decide in accordance with the Companies Act, 2013 & the Rules made thereunder, Income Tax Act, 1961/Rules made thereunder, FEMA Guidelines and as per RBI Regulations.

RESOLVED FURTHER THAT notwithstanding the above, in the absence of or inadequacy of profits in any financial year Mr. M. Srinivas be paid the above remuneration as minimum remuneration subject to the requisite approval, if any, in terms of Section II (A) of Part II of Schedule V of the Companies act, 2013 as may be applicable to the Company from time to time,”

RESOLVED FURTHER THAT so long as Mr. M. Srinivas functions as the Wholetime Director of the Company he will not be paid any fees for attending the meetings of the Board of Directors or Committee thereof.

“**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to do all acts and take all such necessary steps as may be necessary, proper or expedient to give effect to this resolution”.

6. Re-appointment of Mr. M. Srikrishna as a Whole time Director :

To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

“**RESOLVED THAT** pursuant to the provisions of Section 196, 197, 203 of the Companies Act, 2013 read with Schedule V thereof and the Companies (Appointment and Remuneration of Managerial Personnel), Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and as per the recommendations of Nomination & Remuneration Committee and as approved by the Board of Directors, consent of the Members of the Company be and is hereby accorded to the re-appointment of Mr M. Srikrishna (DIN: 00841388) as Whole-time Director of the Company for a period of 3 years with effect from 01st October, 2018 to 30th September, 2021 on the following terms and conditions.”

Period: 3 Years from 1st October, 2018 to 30th September, 2021

Salary of Rs. 3,25,000/- (Rupees Three Lakh and Twenty five thousand only) per month.

He shall be entitled to receive the following:

- i) All expenses relating to telephone, mobile bills, and travelling, boarding, lodging and other expenses incurred for the purpose of business of the Company.
- ii) Any other allowances, benefits and perquisites, as the Board may from time to time decide in accordance with the Companies Act, 2013 & the Rules made thereunder, Income Tax Act, 1961/ Rules made thereunder, FEMA Guidelines and as per RBI Regulations.

RESOLVED FURTHER THAT notwithstanding the above, in the absence of or inadequacy of profits in any financial year Mr. M. Srikrishna be paid the above remuneration as minimum remuneration subject to the requisite approval, if any, in terms of Section II (A) of Part II of Schedule V of the Companies act, 2013 as may be applicable to the Company from time to time,”

RESOLVED FURTHER THAT so long as Mr. M. Srikrishna functions as the Wholetime Director of the Company he will not be paid any fees for attending the meetings of the Board of Directors or Committee thereof.

“**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to do all acts and take all such necessary steps as may be necessary, proper or expedient to give effect to this resolution”.

7. Approval for Continuation of Current term of Mr. R. Mohan Reddy as Non- Executive Independent Director of the Company

To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

RESOLVED THAT pursuant to the Regulation 17(1A) of SEBI (Listing Obligations and Disclosure Requirements) Amendment Regulations, 2018, the continuation of current term of Mr. R. Mohan Reddy (DIN: 00841038) as Non-Executive Independent Director of the Company for a period of five years (w.e.f. from 30.09.2014 to 29.09.2019 as approved by the members of the Company on the 30th Annual general meeting of the Company held on 30th September, 2014) be and is hereby approved by way of Special Resolution.”

“**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to file necessary forms with the concerned authorities and to all acts, deeds, things required to give effect to this resolution.”

8. Approval for Continuation of Mr. K. Krishna Swamy as Non- Executive Director of the Company
To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

RESOLVED THAT pursuant to Regulation 17(1A) of SEBI (Listing Obligations and Disclosure Requirements) Amendment Regulations, 2018, sanction be and is hereby granted to Mr. K. Krishna Swamy (DIN: 00840887) director of the Company to continue and hold office of non-executive director under the current tenure of appointment notwithstanding that he has attained the age of 75 years as on 25th December, 2015.

9. Ratification of Remuneration of Cost-Auditors:

To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

“**RESOLVED THAT** pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), the consent of the members be and is hereby given for payment of remuneration of Rs. 50,000/- (Rupees Fifty Thousand only) excluding taxes as may be applicable, in addition to reimbursement of all out of pocket expenses, to M/s DZR & Co, Cost Accountants to audit the cost records maintained by the Company for the financial year ending March 31, 2018.”

By Order of the Board
For LOKESH MACHINES LIMITED

Place: Hyderabad
Date: August 31, 2018

Matru Prasad Mishra
Company Secretary

Registered Office:
B-29, EEIE, STAGE- II,
Balanagar, Hyderabad-500 037
Telangana

NOTES:

- 1) An Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 Special Business i.e. item 3 to 9, is annexed hereto. The relevant details (including profile and expertise in specific functional areas), pursuant to Regulation 26(4) and 36(3) of the SEBI (Listing Obligations & Disclosures Requirement) and as per Secretarial Standard on General Meeting issued by the Institute of Company Secretaries of India, in respect of directors seeking re-appointment at this AGM is also annexed. The Directors have furnished the requisite consent/declarations for their appointment /re-appointment as required under Companies Act, 2013 and the Rules thereunder.
- 2) The requirement to place the matter relating to appointment of Auditors for ratification by members at every Annual –General Meeting is done away with vide notification dated 7th May, 2018 issued by Ministry of Corporate Affairs. Accordingly no resolution is proposed for ratification of appointment of Auditors, who were appointed in the Annual General Meeting, held on 28th September, 2017.
- 3) **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON POLL ON HIS / HER BEHALF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

Pursuant to Section 105 of the Companies Act, 2013, a person can act as a Proxy on behalf of not more than fifty members holding in aggregate, not more than ten percent of the total share capital of the Company. Members holding more than ten percent of the total share capital of the Company may appoint a single person as Proxy, who shall not act as a Proxy for any other Member. The instrument of Proxy, in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not later than 48 hours before the commencement of the meeting

A Proxy Form is annexed to this Report. Proxies submitted on behalf of the companies, societies, etc. must be supported by an appropriate resolution / authority, as applicable. Revenue stamp should be affixed on the proxy forms. Forms which are not stamped are liable to be considered invalid.

- 4) Members/Proxies should bring duly filled in Attendance Slips along with their copy of the Annual Report to the AGM.
- 5) The Annual Report of the company and other documents proposed to be sent through e- mail would also be made available on the Company's website.
- 6) Register of Directors and key managerial personnel and their shareholding maintained under section 170 of the companies Act, 2013 will be available for inspection by the members at the meeting.
- 7) Register of contracts or arrangements in which directors and Key managerial personnel are interested Maintained under Section 189 of the Companies Act, 2013 will be available for inspection by the members at the registered office of the Company
- 8) Pursuant to the provisions of Section 91 of the Companies Act, 2013, The Register of Members and Share Transfer Books of the Company will remain closed from 23rd September, 2018 to 29th September, 2018 (both days inclusive).
- 9) Pursuant to the provisions of Section 72 of the Companies Act, 2013, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in prescribed Form (which will be made available on request) to the Registrar and Share Transfer Agents.
- 10) Members must quote their Folio Number/ Demat Account number and contact details such as email address, contact number etc in all correspondence with the Company/Registrar and Share Transfer Agents.
- 11) Members who have not registered their e-mail addresses so far, are requested to register their e-mail address for receiving all communication including Annual Report, Notices, Circulars, etc. from the Company
- 12) Members are requested to address all their correspondence including change of address, mandates etc. to the registrars viz. M/s. Karvy Computershare Private Limited, Karvy Selenium Tower B, Plot No.31-

32, Gachibowli, Financial District, Nanakramguda Serilingampally, Hyderabad - 500 008, Phone : +91 40 67161524.

- 13) The Company's Equity shares are listed at Bombay Stock Exchange Ltd and National Stock Exchange Mumbai and the company has paid the Listing Fees to the said Stock Exchange for the financial year 2017-18.
- 14) 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.
- 15) 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.
- 16) Members are requested to bring the duly filled attendance slip along with their copy of the annual report to the meeting.
- 17) Relevant documents and registers will be available for inspection by the members at the registered office of the company.
- 18) In terms of circulars issued by Securities and Exchange Board of India (SEBI), it is now mandatory to furnish a copy of PAN card to the Company or its RTA in the following cases viz. Transfer of shares, Deletion of name, Transmission of shares and Transposition of shares. Shareholders are requested to furnish copy of PAN card for all the above mentioned transactions
- 19) 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.

- 20) The annual report for 2017-18 is being sent by electronic mode only to the Members Whose Email addresses are registered with the Company Depository Participant(s) for communication purpose unless any member has requested for a hard copy of the same. For members Who have not registered their Email addresses physical copies of Annual report 2017-18 are being sent by the permitted mode.
- 21) The Route Map showing directions to reach the venue of the AGM is enclosed.

22) **Voting through electronic means:**

In terms of Section 108 of Companies Act, 2013 read with the Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended and as per the requirement of Regulation 44 of the SEBI(Listing Obligations & Disclosures Requirements), 2015, the Company is providing the facility to its members holding shares in physical or Dematerialized form as on the cut – off date, i.e September 22nd 2018 (i.e Record date) to exercise their right to vote by electronic means on any or all of the agenda items specified in the accompanying Notice of Annual General meeting Details of the process and manner of E-Voting along with the user id and password are being sent separately to all the members along with the notice and e-voting services provided by Karvy Computershare Private Limited ("Karvy").

The e-voting facility will be available at the link <http://evoting.karvy.com> during the following voting period:

Commencement of e-voting : From 9 A.M. on 26th September, 2018 to 5 P.M. on 28th September, 2018.

- i. E-voting shall not be allowed beyond 5 p.m on 28th September 2018. During the e-voting period, shareholders of the company, holding shares either in physical form or in dematerialised form, as on 22nd September, 2018 may cast their vote electronically.
- ii. The Company has appointed Mr. L.D. Reddy (Practicing Company Secretary), Hyderabad as Scrutinizers for conducting the e-voting process for the Annual General Meeting in a fair and transparent manner.

The procedure and instructions for e-voting are as follows:

The Company is pleased to provide e-voting facility to the shareholders of the Company to enable them to cast their votes electronically on the items mentioned in the Notice. The facility for voting by ballot or polling paper shall also be made available at the Annual General Meeting and the shareholders attending the meeting who have not already cast their vote by remote e-voting shall be able to exercise their right at the meeting. The members who have already cast their vote by remote e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again.

The Company has appointed Mr. L.D. Reddy, Practising Company Secretary as the Scrutinizer for conducting the e-voting process in a fair and transparent manner. E-voting is optional. The e-voting rights of the shareholders / beneficial owners shall be reckoned on the equity shares held by them as on 22nd September 2018, being the Cut-off date for the purpose. The Shareholders of the Company holding shares either in dematerialised or in physical form, as on the Cut-off date, may cast their vote electronically. A person who is not a shareholder on the Cut-off date should treat this Notice for information purposes only.

The Process and manner for Remote e-voting are as under :

- I. Remote e-voting: In compliance with the provisions of Section 108 of the Companies Act, 2013, read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended and the provisions of Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by Karvy Computershare Private Limited (Karvy) on all resolutions set forth in this Notice, from a place other than the venue of the Meeting (Remote e-voting).
- (A) In case a Member receives an email from Karvy [for Members whose email IDs are registered with the Company/Depository Participants (s)]:
 - i. Launch internet browser by typing the URL: <https://evoting.karvy.com>.
 - ii. Enter the login credentials (i.e. User ID and password). In case of physical folio, User ID will be EVEN (E-Voting Event Number) xxxx followed by folio number. In case of Demat account, User ID will be your DP ID and Client ID. However, if you are already registered with Karvy for e-voting, you can use your existing User ID and password for casting your vote.
 - iii. After entering these details appropriately, click on "LOGIN".
 - iv. You will now reach password change Menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A- Z), one lower case (a-z), one numeric value (0-9) and a special character (@, #, \$, etc.). The system will prompt you to change your password and update your contact details like mobile number, email ID etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.
 - v. You need to login again with the new credentials.
 - vi. On successful login, the system will prompt you to select the "EVENT" i.e., 'Name of the Company' i.e. Lokesh Machines Limited
 - vii. On the voting page, enter the number of shares (which represents the number of votes) as on the Cut-off Date under "FOR/AGAINST" or alternatively, you may partially enter any number in "FOR" and partially "AGAINST" but the total number in "FOR/AGAINST" taken together shall not exceed your total shareholding as mentioned herein above. You may also choose the option ABSTAIN. If the Member does not indicate either "FOR" or "AGAINST" it will be treated as "ABSTAIN" and the shares held will not be counted under either head.
 - viii. Members holding multiple folios/demat accounts shall choose the voting process separately for each folio/demat accounts.

- ix. Voting has to be done for each item of the notice separately. In case you do not desire to cast your vote on any specific item, it will be treated as abstained.
- x. You may then cast your vote by selecting an appropriate option and click on "Submit".
- xi. A confirmation box will be displayed. Click "OK" to confirm else "CANCEL" to modify. Once you have voted on the resolution (s), you will not be allowed to modify your vote. During the voting period, Members can login any number of times till they have voted on the Resolution(s).

Corporate/Institutional Members (i.e. other than Individuals, HUF, NRI etc.) are also required to send scanned certified true copy (PDF Format) of the Board Resolution/Authority Letter etc., together with attested specimen signature(s) of the duly authorised representative(s), to the Scrutinizer at email: l.d.reddy@gmail.com with a copy marked to evoting@karvy.com. The scanned image of the above mentioned documents should be in the naming format "Corporate Name_Event No."

- (B) In case of Members receiving physical copy of Notice [for Members whose email IDs are not registered with the Company/Depository Participants (s)]:
 - i. E-Voting Event Number – XXXX (EVEN), User ID and Password is provided in the Attendance Slip.
 - ii. Please follow all steps from Sl. No. (i) to (xii) above to cast your vote by electronic means.
- II. Voting at AGM: The Members, who have not cast their vote through Remote e-voting can exercise their voting rights at the AGM. The Company will make necessary arrangements in this regard at the AGM Venue. Members who have already cast their votes by Remote e-voting are eligible to attend the Meeting; however those Members are not entitled to cast their vote again in the Meeting.

A Member can opt for only single mode of voting i.e. through Remote e-voting or voting at the AGM. If a Member casts votes by both modes then voting done through Remote e-voting shall prevail and vote at the AGM shall be treated as invalid.

OTHER INSTRUCTIONS

- a. In case of any query and/or grievance, in respect of voting by electronic means, Members may refer to the Help & Frequently Asked Questions (FAQs) and E-voting user manual available at the download section of <https://evoting.karvy.com> (Karvy Website) or contact Mr Anandan. K. (Unit: Lokesh Machines Ltd) of Karvy Computershare Private Limited, Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032 or at evoting@karvy.com or phone no. 040 – 6716 1591 or call Karvy's toll free No. 1-800-34-54-001 for any further clarifications.
- b. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- c. The remote e-voting period commences on 26th September, 2018 (9.00 A.M. IST) and ends on 28th September 2018 (5.00 P.M. IST). During this period, Members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 22nd September, 2018, may cast their votes electronically. A person who is not a Member as on the cut-off date should treat this Notice for information purposes only. The remote e-voting module shall be disabled for voting thereafter. Once the vote on a resolution(s) is cast by the Member, the Member shall not be allowed to change it subsequently.
- d. The voting rights of Members shall be in proportion to their share of the paid up equity share capital of the Company as on the cut-off date i.e. 22nd September, 2018.
- e. In case a person has become a Member of the Company after dispatch of AGM Notice but on or before the cut-off date for E-voting i.e. 22nd September, 2018 he/she may obtain the User ID and Password in the manner as mentioned below :
 - i. If the mobile number of the member is registered against Folio No./ DP ID Client ID, the member may send SMS: MYEPWD <space> E-Voting Event Number+Folio No. or DP ID Client ID to 9212993399

Example for NSDL:
MYEPWD <SPACE> IN12345612345678

Example for CDSL:
MYEPWD <SPACE> 1402345612345678

Example for Physical:
MYEPWD <SPACE> XXXX1234567890

- ii. If e-mail address or mobile number of the member is registered against Folio No. / DP ID Client ID, then on the home page of <https://evoting.karvy.com>, the member may click "Forgot Password" and enter Folio No. or DP ID Client ID and PAN to generate a password.
- iii. Member may call Karvy's toll free number 1800-3454-001.
- iv. Member may send an e-mail request to evoting@karvy.com. However, Karvy shall endeavour to send User ID and Password to those new Members whose mail ids are available.

PROCEDURE AND INSTRUCTIONS FOR WEB CHECK-IN/ATTENDANCE REGISTRATION

2. Web Check-in / Attendance Registration: Members are requested to tender their attendance slips at the registration counters at the venue of the AGM and seek registration before entering the meeting hall. Alternatively, to facilitate hassle free and quick registration/entry at the venue of the AGM, the Company has provided a Web-Check in facility through Karvy's website. Web Check-in on the Karvy's website enables the Members to register attendance online in advance and generate Attendance Slip without going through the registration formalities at the registration counters.

Procedure of Web Check-in is as under:

- a. Log on to <https://karisma.karvy.com> and click on
- b. "Web Checkin for General Meetings (AGM/EGM/CCM)".
- c. Select the name of the company: Name of the Company
- d. Pass through the security credentials viz., DP ID/Client ID/Folio no. entry, PAN No & "CAPTCHA" as directed by the system and click on the submission button.
- e. The system will validate the credentials. Then click on the "Generate my attendance slip" button that appears on the screen.
- f. The attendance slip in PDF format will appear on the screen. Select the "PRINT" option for direct printing or download and save for the printing.
- g. A separate counter will be available for the online registered Members at the AGM Venue for faster and hassle free entry and to avoid standing in the queue.
- h. After registration, a copy will be returned to the Member.
- i. The Web Check-in (Online Registration facility) is available for AGM during e-voting Period only i.e., 26th September 2018 (9.00 A.M. IST) to 28th September 2018 (5.00 P.M. IST).
- j. The Members are requested to carry their valid photo identity card along with the above attendance slip for verification purpose

By Order of the Board
For Lokesh Machines Limited

Place: Hyderabad
Date: August 31, 2018

Matru Prasad Mishra
Company Secretary

Explanatory Statement

Pursuant to Section 102(1) of Companies Act, 2013

Item # 3

The Shareholders at the 31st Annual General Meeting of the Company held on 28th September, 2015 had appointed Mr. M. Lokeswara Rao as the Managing Director of the Company for a period of 3 years, starting from 01st October, 2015 and ending on 30th September, 2018, on the terms and conditions of appointment contained in the said resolution.

Based on the recommendation of Nomination & Remuneration committee, the Board has vide resolution passed on 31st Aug, 2018 re-appointed of Mr. M. Lokeswara Rao as the Managing Director of the Company for a period of 3 years effective from 01st October, 2018, subject to approval of the members.

The approval of the members is being sought for the re-appointment of Mr. M. Lokeswara Rao as Managing Director of the Company for a period of 3 years effective from 01st October, 2018

Mr. M. Lokeswara Rao is a technocrat with 50 years vast experience in the machine tool industry, promoted Lokesh Machines Limited (LML). He has started his career with KCP Limited in 1965 and after a brief period joined Hindustan Machine Tools Limited (HMT) in 1966. While working at HMT for almost a decade Mr. Rao has obtained a methodical understanding and insight of the machine tool industry. The insights into the machine tool industry supplemented with the entrepreneurial abilities prompted Mr. Rao to start LML. Mr. Rao with his sheer hard work coupled with managerial abilities built up a strong team and created good facilities.

Mr. Lokeswara Rao has been an active member of Indian Machine Tool Manufacturers' Association (IMTMA) for over a decade and served as a member of the Executive Committee for six years. He has served as Chairman of the Regional Council (South) of IMTMA and was the Vice-president of the association from 2007-2009. He was also the Vice President of the Auto Component Association in Hyderabad.

He has been the Managing Director of the Company. He is a Director in M.L.R. Motors, M.L.R. Auto Ltd. and Indian Machine Tool Manufacturers Association.

Mr. M. Lokeswara Rao holds 5,53,093 shares in the Company.

Except Mr. M. Lokeswara Rao, Mr. M. Srinivas and Mr. M. Srikrishna, none of the Directors, Key Managerial Personnel or their relatives are in any way concerned or interested in the said resolution.

Board recommends the resolution for your approval as a Special Resolution.

Item # 4

The Shareholders at the 31st Annual General Meeting of the Company held on 28th September, 2015 had appointed Mr. B Kishore Babu as the Whole-time Director of the Company for a period of 3 years, starting from 01st October, 2015 and ending on 30th September, 2018, on the terms and conditions of appointment contained in the said resolution.

Based on the recommendation of Nomination & Remuneration committee, the Board approved the re-appointment of Mr. B Kishore Babu as the Whole-time Director of the Company for a period of 3 years effective from 01st October, 2018, Subject to approval of the members.

Mr. B Kishore Babu is a Graduate Engineer with over 39 years' experience in the field of Machine Tool Industry. He has started his career in Hindustan Machine Tools (HMT) as Trainee Engineer and later joined Lokesh Machines Ltd. As a Promoter, He has acquired all-round exposure and experience with various aspects of operations of the company right from shop floor, designs, planning, production, assembly, Purchase and application engineering for the past 20 years. As Executive Director, he is the operational head for all the divisions.

He has been the Wholetime Director of the Company and has also been the member of the Stakeholders Relationship Committee of the Board. He is a director of M.L.R. Motors and M.L.R. Auto Ltd.

Mr. B Kishore Babu holds 10,97,009 shares in the Company.

Except Mr. B Kishore Babu no Directors, Key Managerial Personnel or their relatives are in any way concerned or interested in the said resolution.

Board recommends the resolution for your approval as a Special Resolution.

Item # 5

The Shareholders at the 31st Annual General Meeting of the Company held on 28th September, 2015 had appointed Mr. M. Srinivas as the Whole-time Director of the Company for a period of 3 years, starting from 01st October, 2015 and ending on 30th September, 2018, on the terms and conditions of appointment contained in the said resolution.

Based on the recommendation of Nomination & Remuneration committee, the Board approved the re-appointment of Mr. M. Srinivas as the Whole-time Director of the Company for a period of 3 years effective from 01st October, 2018 subject to approval of members.

Mr. M. Srinivas has 23 years experience. He is a Director (Auto Components), has been with LML for the past 23 years since completion of his M.S. in Industrial Engineering at New Jersey Institute of Technology, New Jersey, USA. He has undergone training initially in the designs and manufacture of SPMs.

He has been the Wholetime Director of the Company and has also been member of the Audit Committee of the Board. He is also a director in M.L.R. Motors Limited.

Mr. M. Srinivas holds 19,21,615 shares in the Company.

Except Mr. M. Srinivas, Mr. M. Lokeswara Rao and Mr. M. Srikrishna, none of the Directors, Key Managerial Personnel or their relatives are in any way concerned or interested in the said resolution.

Board recommends the resolution for your approval as a Special Resolution.

Item # 6

The Shareholders at the 31st Annual General Meeting of the Company held on 28th September, 2015 had appointed Mr. M. Srikrishna as the Whole-time Director of the Company for a period of 3 years, starting from 01st October, 2015 and ending on 30th September, 2018, on the terms and conditions of appointment contained in the said resolution.

Based on the recommendation of Nomination & Remuneration committee, the Board approved the re-appointment of Mr. M. Srikrishna as the Whole-time Director of the Company for a period of 3 years effective from 01st October, 2018 subject to approval of the members.

Mr. M. Srikrishna has 19 years experience in the field of Mechanical Engineering and has been with Lokesh Machines Limited for the past 19 years since completion of Bachelor of Engineering at Osmania University and has undergone training initially in the designs and manufacture of General Purpose Machines. He is presently heading the Computerised Numerical Control (CNC) Machines Division of Lokesh Machines Limited.

He has been the Wholetime Director of the Company and has also been member of the Stakeholders Relationship Committee of the Board. He is a director in Velzone (INDIA) Private Limited.

Mr. M. Srikrishna holds 18,12,271 shares in the Company.

Except Mr. M. Srikrishna, M. Srinivas, Mr. M. Lokeswara Rao none of the Directors , Key Managerial Personnel or their relatives are in any way concerned or interested in the said resolution.

Board recommends the resolution for your approval as a Special Resolution.

Item # 7

Mr. R. Mohan Reddy (79) as Non- Executive Independent Director of the Company was appointed on 30th September, 2014 as per the terms of the Companies act, 2013. At the time of appointment his age was approximately 75 years old.

SEBI has amended the LODR, Regulations, 2015 vide Circular dated 9th May, 2018 which require re-appointment/continuance of any Non-Executive Director who has attained the age of 75 years old to be approved by the Shareholders by way of a Special Resolution. Though Mr. R. Mohan Reddy can hold office under the erstwhile resolution, he has attained the age of 75 years during the term of his appointment. Hence this Special Resolution is placed before the shareholders.

Also the Board believes that his experience and vision will contribute to the growth of the Company and also in steering best Corporate Governance practices.

Accordingly, consent of the members is sought for passing an Special Resolution as set out at Item No. 7 of the Notice for continuation of his appointment.

Except Mr. R. Mohan Reddy None of the Directors, Key Managerial Personnel or their relatives are in any way concerned or interested in the said resolution.

Board recommends the resolution for your approval as a Special Resolution.

Item # 8

Mr. K. Krishna Swamy (78) was appointed as non-executive director of the Company. As per the recent amended SEBI(LODR) Regulations, 2015 which requires special resolution for appointment/continuance of any non-executive director who has attained the age of 75 or more. Mr. Krishna Swamy has attained the age of 75 years during the term of his appointment. Hence this Special Resolution is placed before the shareholders.

He is working excellently and Board believes his involvement is needed for enhancing the growth of the Company.

Accordingly, consent of the members is sought for passing a Special Resolution as set out at Item No. 8 of the Notice for continuation of his appointment.

Except Mr. K. Krishna Swamy None of the Directors, Key Managerial Personnel or their relatives are in any way concerned or interested in the said resolution.

Board recommends the resolution for your approval as a Special Resolution.

Item # 9

The Board, on the recommendation of the Audit Committee, has approved the appointment and remuneration of M/s. DZR& Co., Cost Auditors to conduct the audit of the cost records of the Company for the financial year ending 31st March, 2018 at a remuneration of Rs 50000/- as audit fee, and GST as applicable and out of pocket expenses shall be paid on actual.

In accordance with the provisions of Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the shareholders of the Company.

Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out at Item No. 9 of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year ending 31st March, 2018.

None of the Directors/ Key Managerial Personnel of the Company/ their relatives are, in any way, concerned or interested, financially or otherwise, in the ordinary resolution set out in item No. 9 of the Notice.

The Board recommends the resolution for your approval as Ordinary Resolution.

Additional information on Directors seeking appointment / re-appointment at the forthcoming Annual General Meeting

Name	Mr K. Krishna Swamy
	25-12-1940
Designation	Non Executive Director
Date of appointment	28/07/1995
Educational Qualifications	Bachelor of Technology(Mechanical)
Areas of Experience	Nearly 52 years of experience in the field of Mechanical Division.
Membership/Chairmanship of the Committees held in the company	Nil
Companies in which he / she holds Directorship	Nil
Membership/Chairmanship of the Committees held in other companies	Nil
No of Shares held in the company	12,000

Name	Mr. M lokeswarara rao	Mr.B Kishore Babu	Mr. M. Srinivas	Mr. M. Srikrishna
Date of Birth	11-02-1945	08-06-1956	21-06-1968	31-07-1971
Designation	Managing Director	Whole-time Director	Whole-time Director	Whole-time Director
Date of Appointment	17/12/1983	10/05/2002	01/10/2005	01/10/2005
Educational Qualifications	Diploma in Mechanical Engineering	Engineering Graduate	M.S. in Industrial Engineering from New Jersey Institute of Technology, USA	B. Tech from Osmania University
Areas of Experience	51 years of experience in the Machine Tool industry	38 years of experience in the field of Machine tool	22 years of experience in the field of engineering	21 years of experience in the field of Engineering
Membership or Chairmanship of the Committees held in the Company	NIL	Member of Stakeholder relationship Committee	Member of Audit Committee	Member of Stakeholder relationship Committee
Directorship held in other companies	M.L.R Motors Ltd , M.L.R. Auto Ltd , Indian Machine Tool Manufactures Association	M.L.R Motors Ltd , M.L.R. Auto Ltd	M.L.R Motors Ltd ,	Velzone (India) Private Limited
No. Of Shares held in the Company	5,53,093	10,97,009	19,21,615	18,12,271

BOARD'S REPORT

Dear Share Holders,

Your Directors are pleased to present the 34th Annual Report of the company along with the Audited financial Statements for the financial year ended March 31, 2018.

FINANCIAL RESULTS

Rs in Lakhs

Particulars	(2017-18)	(2016-17)
Net Sales	17,494.48	13177.82
Other Income	84.05	35.19
Captive Consumption	352.98	1107.24
Total Income	17931.51	14320.24
Profit before Depreciation, Interest and Taxes	2941.66	2815.38
Depreciation	817.28	818.11
Profit before Interest and Taxes	2124.38	1997.27
Interest and Finance Charges	1408.88	1666.12
Profit before Taxes	715.50	331.15
Provision for Taxes	245.03	120.12
Profits after Taxes	470.47	211.03

PERFORMANCE REVIEW:

The turnover increased by 32.75 %, in the year

- The Machine Tool Division has posted significant growth compared to the previous year, primarily lead by the General Purpose machinery division which itself showed a growth of 46.72% as compared to previous year. GPM Machines export sale has also restarted this year with a marginal sale which is expected to be considerably higher in the coming year. Typically SPM movement will start once the economy reaches a reasonable uptick unlike the GPMs which pick up at the start of growth phase itself. Accordingly, the company is witnessing some movement in the SPM division too in the coming years.
- The Component division also had a marginal growth driven by an increased off take from the Connecting Rod business.

FUTURE OUTLOOK

The current market conditions are showing signs of rapid recovery and our capacity utilization is at an increased level today.

Your directors are confident of putting in an improved performance over the previous year.

1. The CNC machines division is expected to post substantial growth with improving market conditions. While the current capacity utilization is at its peak, the company is making significant improvements in productivity improvement and further increase in capacity utilization thus squeezing the assets to the maximum. With Europe showing signs of recovery and situation in Russia easing, there would certainly be an uptick in the Export performance as well.
2. The SPM order book reflects a reasonable growth. Almost all the orders are from the existing customers only for capacity expansion and not for any new products.

3. On the component division front, the Connecting Rod production is in stabilization mode. With a reasonable monsoons prediction, the Tractor industry in particular and the Auto sector in general are expected to do well and thereby help us increase the overall revenues.

DIVIDEND

The Company proposes to retain profits of the current year for company's future plans and developments. Hence, your directors have not recommended dividend for the Financial Year 2017-2018.

TRANSFER TO GENERAL RESERVE

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

DIRECTORS

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

The following Directors are proposed to be re-appointed as Directors of the company under Companies act 2013

- | | | |
|----|-------------------------|-----------------------|
| 1. | Mullapudi Lokeswara Rao | - Managing Director |
| 2. | Bollineni Kishore Babu | - Whole time director |
| 3. | Mullapudi Srinivas | - Whole time director |
| 4. | Mullapudi Srikrishna | - Whole time director |

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

All Independent Directors have given declaration that they meet the criteria of independence as laid under section 149(6) of the Companies Act 2013 and SEBI (LODR) Regulations, 2015. A separate meeting of Independent Directors of the Company, without the attendance of Non-Independent Directors, was held during the year, as required under Schedule IV to the Companies Act, 2013 (Code for Independent Directors) and Regulation 25 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. All the directors of the Company have disclosed their interest to the Company pursuant to Sec 184(1) of Companies Act, 2013.

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

AUDITORS**Statutory Auditors**

The provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 (the Act), and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and pursuant to recommendation of the Audit Committee and the Board of Directors, M/s. K.S.Rao & Co., Chartered Accountants, Hyderabad, (ICAI Firm Regn. No.003109S) be and are hereby appointed as Statutory Auditors of the Company for a term of five years from conclusion of 33rd Annual General Meeting till the conclusion of 38th Annual General Meeting at such remuneration plus reimbursement of out of-pocket, travelling and living expenses, etc., as may be mutually agreed between the Board of Directors of the Company and the said Auditors."

Cost Auditors:

The Board has appointed M/s. DZR&Co, Cost Accountants for conducting the audit of cost records of the Company for various segments for the financial year 2017-18 as recommended by the Audit Committee. As required under section 148 and Rule 14 of the Companies (Audit and Auditors) Rules, 2014 a resolution is being placed at the ensuing AGM for ratification of remuneration payable to said Cost Auditors.

Secretarial Auditors:

M/s. L.D. Reddy & Co., Practicing Company Secretaries, was appointed to conduct the Secretarial Audit of the Company for the financial year 2017-18, as required under Section 204 of the Companies Act, 2013 and Rule 9 there-under. The secretarial audit report for FY 2017-18 forms part of this Report as Annexure.

Reply to the observations of Secretarial auditor:

Your company is law abiding entity, and filed the necessary forms & returns with the authorities. However, there was some delay filings occurred during the year. Management is taking measures to avoid the delay filings in future.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE OUTGO

Information required under section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) 2014, is enclosed herewith as Rules, Annexure .

DEVELOPEMNT AND IMPLEMENTATION OF A RISK MANAGEMENT POLICY

The Company has been addressing various risks impacting the company policy of the company on risk management is provided elsewhere in this Annual Report in Management Discussion and Analysis.

The Company has developed and implemented a risk management policy for the company including identification therein of elements of risk, which in the opinion of the Board may threaten the existence of the company.

NOMINATION AND REMUENRATION POLICY

On the recommendation of the Nomination and Remuneration Committee the Board of Directors has formulated a policy of the Company on directors' appointment and remuneration, including criteria for determining qualifications, positive attributes, independence of a director and other matters and to frame proper systems for identification, appointment of Directors & KMPs, Payment of Remuneration to them and Evaluation of their performance.

FORMAL ANNUAL EVALUATION MADE BY THE BOARD OF ITS OWN PERFORMANCE AND OF ITS COMMITTEES AND INDIVIDUAL DIRECTORS

As required under the provisions of Schedule IV of the Companies Act, 2013 the performance evaluation of independent directors has been done by the entire Board of Directors, excluding the director being evaluated. The evaluation of all the directors and the Board as a whole was conducted based on the criteria and framework adopted by the Board. The Board approved the evaluation results as collated by the nomination and remuneration committee.

None of the independent directors are due for re-appointment

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

Pursuant to Section 134 (5) of the Companies Act, 2013 Your Directors' confirm that:

In preparation of annual accounts for the financial year ended 31st March, 2018 the applicable Accounting Standards have been followed along with proper explanation relating to material departures;

The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2018 and of the profit of the Company for the financial year;

The Directors have taken proper and sufficient care for their maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- i. The Directors had prepared the annual accounts on a 'going concern' basis;
- ii. The directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively; and
- iii. The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

OTHER DISCLOSURES:**Board Meetings**

During the year under review, Six Board Meetings were held on 30th May, 2017, 31st August, 2017; 13th Sep 2017; 13th December, 2017, 27th December, 2017 and 9th February, 2018.

Committees of Board

Your company has the following committees namely:

1. Audit Committee
2. Nomination and Remuneration Committee
3. Stakeholders Relationship Committee

The constitution of all the committees is as per the Companies Act, 2013 and SEBI (LODR) Regulations, 2015. The details of the Constitution of Committees are mentioned in Corporate Governance Report, which forms part of this Annual Report.

Corporate Governance Report

Your Company has complied with the requirements of Regulation 34(3) read with Schedule V of SEBI (LODR), Regulations, 2015 and provisions of the Companies Act, 2013, Report on Corporate Governance including Auditor's Certificate on compliance with the code of Corporate Governance.

Change in Key Managerial Personnel

Mr. D. Raghavendrarao resigned from the office of Company Secretary with effect from close of business hours of 18th October, 2017 and the Board has appointed Mr. Matru Prasad Mishra as the Company Secretary of the Company with effect from 14th December, 2017.

Board's response on Auditor's qualification, reservation or adverse remark or disclaimer made:

During the year, there were no instances of frauds reported by auditors under Section 143(12) of the Companies Act, 2013.

Management Discussion and Analysis

A brief note on the Management discussion and analysis for the year is enclosed as Annexure to this report

Vigil Mechanism:

In pursuant to the provisions of section 177 of the Companies Act, 2013 a Vigil Mechanism for directors and employees to report genuine concerns has been established. All permanent employees of the Company are covered under the Whistle Blower Policy.

ACKNOWLEDGEMENTS

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

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

On behalf of the Board
For Lokesh Machines Limited

B Kishore Babu
(Executive Director)

M Lokeswara Rao
(Managing Director)

Disclosure pertaining to remuneration and other details as required pursuant to Section 197 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel), Rules, 2014 are provided here:

- i) **The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year:**

Name of the Director	Ratio to Median remuneration
M Lokeswararao	26.11:1
B Kishore Babu	18.28:1
M. Srinivas	18.28:1
M. Srikrishna	18.28:1

- ii) **The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;**

Name of the Director/Chief Financial Officer/ Chief Executive Officer/Company Secretary/Manager	Percentage of increase in remuneration
M Lokeswararao	—
B Kishore Babu	—
M Srinivas	—
M Srikrishna	—
K Krishna Swamy	—
V Sudhakara Reddy	16.34%
Matru Prasad Mishra	—

- iii) **The percentage increase in the median remuneration of employees in the financial year; 3%**

- iv) **The number of permanent employees on the rolls of company; 355**

- v) **The explanation on the relationship between average increase in remuneration and company performance;**

On an average, employees received an annual increase of 5%. The individual increments varied from 5% to 10% based on individual performance.

In order to ensure that remuneration reflects Company performance, the performance pay is also linked to organization performance, apart from an individual's performance.

- vi) **Comparison of the remuneration of the Key Managerial Personnel against the performance of the company;**

Aggregate remuneration of Key Managerial Personnel(KMP) in FY 2018(Rs. Lakhs)	196.05
Total Revenue (Rs.Lakhs)	17931.51
Remuneration of KMP(as % of revenue)	1.09%
Profit before Tax (PBT) (Rs.Lakhs)	715.50
Remuneration of KMP(as % of PBT)	27.40%

vii) Variations in the market capitalisation of the company, price earnings ratio as at the closing date of the current financial year and previous financial year:

Particulars	March 31,2018	March 31,2017	% Change
Market Capitalisation (Rs. Lakhs)	9700.04	14213.87	46.53%
Price Earning Ratio	19.85	64.19	2.41

Percentage increase over decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer:

Particulars	March 31,2018	IPO Price	% Change
Market Price (BSE)	54.20	140	-61.28%
Market Price (NSE)	54.55	140	-61.03%

viii) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;

There is no increase in remuneration paid to the Whole time Directors during the financial year ended 31st March, 2018.

ix) Comparison of the each remuneration of the Key Managerial Personnel against the performance of the company;

	Mr M Lokeswara rao	Mr. B. Kishore Babu	Mr.M. Srinivas	Mr.M. Srikrishna	Mr. V. Sudhakara Reddy	Mr.Matru Prasad Mishra
Remuneration in FY 18 (Rs. Lakhs)	60.00	39.00	39.00	39.00	17.45	1.60
Total Revenue (Rs. Lakhs)	17931.51	17931.51	17931.51	17931.51	17931.51	17931.51
Remuneration as % of Revenue	0.33	0.22	0.22	0.22	0.09	0.008
Profit Before Tax	715.50	715.50	715.50	715.50	715.50	715.50
Remuneration (as % of PBT)	8.38	5.45	5.45	5.45	2.43	0.22

xi) The key parameters for any variable component of remuneration availed by the directors;

None

xii) The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year;

None

xiii) Affirmation that the remuneration is as per the remuneration policy of the company:

The Company affirms that the remuneration is as per the remuneration policy of the Company.

SUBSIDIARY COMPANY:

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

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:

Details of the Loans, guarantees and investments covered under Section 186 of the Companies Act, 2013 are given in the notes to the financial statements pertaining to the year under review.

PUBLIC DEPOSITS:

The Company has not accepted any deposits from the public.

RELATED PARTY TRANSACTIONS:

Related party transactions entered during the financial year under review are disclosed in Note No.38 of the Financial Statements of the Company for the financial year ended 31st March, 2018. These transactions entered were at an arm's length basis and in the ordinary course of business. There were no materially significant related party transactions with the Company's Promoters, Directors, Management or their relatives, which could have had a potential conflict with the interests of the Company.

All transactions entered by the Company with Related parties were in the Ordinary Course of business and Arm's Length pricing basis. The Audit Committee granted approval at every quarterly held meeting and subsequently as per the recommendation of the Audit Committee it has been ratified by the Board of Directors.

ACKNOWLEDGEMENTS

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

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

On behalf of the Board
For Lokesh Machines Limited

B Kishore Babu
(Executive Director)

M Lokeswara Rao
(Managing Director)

Form No. MGT-9
EXTRACT OF ANNUAL RETURN
For the financial year ended on 31-03-2018

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

CIN	L29219TG1983PLC004319
Registration Date	17/12/1987
Name of the Company	LOKESH MACHINES LIMITED
Category / Sub-Category of the Company	Company Limited by Shares/ Indian Non-Government Company
Address of the Registered office and contact details	B-29 EEIE STAGE, 2, BALANAGAR, HYDERABAD-500037.
Whether listed company	Yes
Name, Address and Contact details of Registrar and Transfer	Karvy Computershare Pvt. Ltd. Karvy Selenium Tower B, Plot No.31-32,Gachibowli Financial District, Nanakramguda, Serilingampally, Hyderabad - 500 008
Agent, if any	NA

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company

Shall be stated:

S.No	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1.	General Purpose Machines	28110	58.19%
2.	Special Purpose Machines	28221	6.74%
3.	Jobwork charges	28223	35.07%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

S.No	Name and Address of The company	CIN/GLN	Holding/ Subsidiary/Associate	% of shares held	Applicable Section
1.	NA	NA	NA	NA	NA

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**i) Category-wise Share Holding**

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of total Shares	Demat	Physical	Total	% of total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	9140225	—	9140225	53.66	8991705	—	8991705	50.24	(3.42)
b) Central Govt	—	—	—	—	—	—	—	—	—
c) State Govt (s)	—	—	—	—	—	—	—	—	—
d) Bodies Corp.	—	—	—	—	—	—	—	—	—
e) Banks / FI	—	—	—	—	—	—	—	—	—
f) Any Other....	—	—	—	—	—	—	—	—	—
Sub-total (A)(1):-	9140225	—	9140225	53.66	8991705	—	8991705	50.24	(3.42)
(2) Foreign									
a) NRIs -Individuals	—	—	—	—	—	—	—	—	—
b) Other –Individuals	—	—	—	—	—	—	—	—	—
c) Bodies Corp.	—	—	—	—	—	—	—	—	—
d) Banks / FI	—	—	—	—	—	—	—	—	—
e) Any Other....	—	—	—	—	—	—	—	—	—
Sub-total (A)(2):-	—	—	—	—	—	—	—	—	—
Total shareholding of Promoter (A) =(A)(1)+(A)(2)	9140225	—	9140225	53.66	8991705	—	8991705	50.24	(3.42)
B. PublicShareholding									
1. Institutions									
a) Mutual Funds	—	—	—	—	—	—	—	—	—
b) Banks / FI	370000	—	370000	2.17	438090	—	438090	2.45	0.28
c) Central Govt	—	—	—	—	—	—	—	—	—
d) State Govt(s)	—	—	—	—	—	—	—	—	—
e) Venture Capital Funds	—	—	—	—	—	—	—	—	—
f) InsuranceCompanies	—	—	—	—	—	—	—	—	—
g) FIs	116999	—	116999	0.69	—	—	—	—	(0.69)
h) Foreign VentureCapital Funds	—	—	—	—	—	—	—	—	—
i) Others (specify)	—	—	—	—	—	—	—	—	—
Sub-total (B)(1):-	486999	—	486999	2.86	438090	—	438090	2.45	(0.41)
2. Non-Institutions									
a) Bodies Corp.	745049	—	745049	4.37	1237352	—	1237352	6.91	2.54
b) Individuals	—	—	—	—	—	—	—	—	—
i) Individual shareholders holding nominal share capital upto Rs. 2 lakh	2880009	21359	2901368	17.03	4934023	12360	4946383	27.64	10.61
ii) Individual shareholders holding nominal share capital in excess of Rs 2 lakh	2094142	—	2094142	12.29	1723994	—	1723994	9.63	(2.66)

c) Others									
- Directors	—	—	—	—	—	—	—	—	—
- Trust	—	—	—	—	6000	—	6000	0.03	0.03
- HUF	—	—	—	—	372800	—	372800	2.08	2.08
- NRIs	38799	—	38799	0.22	116612	—	116612	0.65	0.43
- Clearing members	1622968	—	1622968	9.53	63334	—	63334	0.35	(9.18)
-NBFC	3250	—	3250	0.02	500	—	500	0.002	
Sub-total (B)(2):-	7384217	21359	7405576	43.48	8454615	12360	8466975	47.31	3.83
Total Public Shareholding (B)= (B)(1)+ (B)(2)	7871216	21359	7892575	46.34	8892705	12360	8905065	49.76	3.42
C. Shares held by Custodian for GDRs & ADRs	—	—	—	—	—	—	—	—	—
Grand Total(A+B+C)	17011441	21359	17032800	100.00	17884410	12360	17896770	100.00	0.05

(ii) Shareholding of Promoters

Sl. No	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			% change In shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	
1	MULLAPUDI LOKESWARARAO	792217	4.65	4.64	553093	3.09	3.07	1.56
2	MULLAPUDI SRIKRISHNA	1812271	10.64	8.65	1812271	10.13	6.55	(0.51)
3	MULLAPUDI SRINIVAS	1921615	11.28	9.08	1921615	10.74	7.87	(0.54)
4	MULLAPUDI VIJAYALAKSHMI	1844913	10.83	10.37	1844913	10.31	9.86	(0.52)
5	MULLAPUDI KANAKADURGA	700372	4.11	3.65	700372	3.91	3.01	(0.20)
6	BOLLINENI KISHORE BABU	1097009	6.44	4.66	1097009	6.13	4.15	(0.31)
7	BOLLINENI VIJAYALAKSHMI	314305	1.85	1.01	140939	0.79	0	(1.06)
8	BOLLENENI SHILPA	104810	0.62	0	104810	0.59	0	(0.03)
9	AJAYKUMAR MULLAPUDI	3269	0.02	0	3269	0.02	0	0
10	MULLAPUDI LIKHITA	340220	2.00	0	554190	3.10	0	1.10
11	MULLAPUDI RAMMOHAN RAO	22043	0.13	0	22043	0.12	0	(0.01)
12	BOLLINENI SRIHARSHA	32819	0.19	0	32819	0.18	0	(0.01)
13	GANNE ANNAPURNA	16598	0.10	0	16598	0.09	0	(0.01)
14	KRISHNASWAMY K	12000	0.07	0	12000	0.07	0	0
15	MULLAPUDI VASANTHALAKSHMI	14004	0.08	0	14004	0.08	0	0
16	GUTTA SAIRAM PRASAD	7059	0.04	0	7059	0.04	0	0
17	G KAMALADEVI	7777	0.05	0	7777	0.04	0	(0.01)
18	NAGA SATYA SWAROOPA RANI	96924	0.57	0	146924	0.82	0	0.25
		9140225	53.66	42.04	8991705	50.24	34.55	(3.42)

(iii) Change in Promoters' Shareholding

Sl. No	Name of the Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	MULLAPUDI LOKESWARARAO				
	At the beginning of the year	792217	4.65		
	Sale of Shares From 26.04.2017 to 17.05.2017	(239124)	(1.40)	553093	3.25
	At the end of the year			553093	3.09
2	MULLAPUDI SRIKRISHNA				
	At the beginning of the year	1812271	10.64		
	At the end of the year			1812271	10.13
3	MULLAPUDI SRINIVAS				
	At the beginning of the year	1921615	11.28		
	At the end of the year			1921615	10.74
4	BOLLINENI VIJAYALAKSHMI				
	At the beginning of the year	314305	1.85		
	Sale of Shares From 26.04.2017 to 17.05.2017	(173366)	(1.01)	140939	0.84
	At the end of the year			140939	0.79
5	BOLLINENI KISHORE BABU				
	At the beginning of the year	1097009	6.44		
	At the end of the year			1097009	6.13
6	MULLAPUDI LIKHITA				
	At the beginning of the year	340220	2.00		
	Allotment of Shares on 27/12/2017	213970	1.10	213970	1.10
	At the end of the year			554190	3.10
7	MULLAPUDI NAGA SATYA SWAROOPA RANI				
	At the beginning of the year	96924	0.57		
	Allotment of Shares on 27/12/2017	50000	0.25	50000	0.25
	At the end of the year			146924	0.82

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No	Name of the Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	UNITED INDIA INSURANCE COMPANY LIMITED				
	At the beginning of the year	370000	2.52		
	Increase/ Decrease shareholding during the year	—	—	—	—
	At the end of the year			370000	2.07
2	Sundeep Rajapal Chhabra				
	At the beginning of the year	24250	0.13		
	Increase in the share holding during the year	200000	1.12	200000	1.12
	Allotment of shares				
	At the end of the year			224250	1.25
3	Kavita Sundeep Chhabra				
	At the beginning of the year	—	—	—	—
	Increase in the share holding during the year			200000	1.12
	Allotment of Shares				
	At the end of the year			200000	1.12
4	Raunaq Sundeep Chhabra				
	At the beginning of the year	—	—	—	—
	Increase shareholding during the year			200000	1.12
	Allotment of Shares				
	At the end of the year			200000	1.12
5	Chetan Rasiklal Shah				
	At the beginning of the year	—	—		
	At the end of the year			144000	0.80
6	A .MAHALAKSHMI				
	At the beginning of the year	125000	0.73		
	Increase in the share holding during the year	—	—	—	—
	At the end of the year			125000	0.69
7	JAHNAVI SRI DHANYA S				
	At the beginning of the year	110000	0.64		
	At the end of the year			109000	0.60

8	Ashika Credit Capital Ltd				
	At the beginning of the year	—	—		
	Increase in the share holding during the year	—	—	107500	0.60
	At the end of the year			107500	0.60
9	CHERUKURI SAI KIRAN				
	At the beginning of the year	100000	0.68	100000	0.68
	Increase in the share holding during the year	—	—	—	—
	At the end of the year			100000	0.55
10	JASTI RAJA RAMA MOHANA RAO				
	At the beginning of the year	96093	0.56		
	Increase/ Decrease shareholding during the year				
	At the end of the year			96093	0.53

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No	Name of the Director / Key Managerial Personnel (KMP)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	MULLAPUDI LOKESWARARAO				
	At the beginning of the year	792217	4.65		
	At the end of the year			553093	3.09
2	MULLAPUDI SRIKRISHNA				
	At the beginning of the year	1812271	10.64		
	At the end of the year			1812271	10.13
3	MULLAPUDI SRINIVAS				
	At the beginning of the year	1921615	11.28		
	At the end of the year			1921615	10.74
4	BOLLINENI KISHORE BABU				
	At the beginning of the year	1097009	6.44		
	At the end of the year			1097009	6.13
5	V.SUDHAKARA REDDY				
	At the beginning of the year	11000	0.07		
	At the end of the year			11000	0.06
6	MATRU PRASAD MISHRA				
	At the beginning of the year	—	—	—	—
	During the Year	—	—	—	—
	At the end of the year			—	—

II. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	31,78,45,132	5,82,20,447	Nil	37,60,65,579
ii) Interest due but not paid	1,04,85,581	5,61,941		1,10,47,522
iii) Interest accrued but not due	—	—		—
Total (i+ii+iii)	32,83,30,713	5,87,82,388		38,71,13,101
Change in Indebtedness during the financial year			Nil	
• Addition	4,30,34,143	1,00,00,000		5,30,34,143
• Reduction	(17,75,88,574)	(1,65,00,000)		(19,40,88,574)
Net Change	(13,45,54,431)	(65,00,000)		(14,10,54,431)
Indebtedness at the end of the financial year				
i) Principal Amount	19,37,76,282	5,05,00,000		24,42,76,282
ii) Interest due but not paid	25,62,616	3,61,171	Nil	29,23,787
iii) Interest accrued but not due	—	—		—
Total (i+ii+iii)	19,63,38,898	5,08,61,171		24,72,00,069

III. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**A. Remuneration to other directors:**

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager				Total Amount (Rs.Lakhs)
1.	Gross salary	M. Lokeswararao	B. Kishore Babu	M. Srikrishna	M.Srinivas	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	60.00	39.00	39.00	39.00	177.00
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income tax Act, 1961	-	-	-	-	-
2.	Stock Option	-	-	-	-	-
3.	Sweat Equity	-	-	-	-	-

4.	Commission - as % of profit - others, specify	-	-	-	-	-
5.	Others, please specify	-	-	-	-	-
	Total (A)	60.00	39.00	39.00	39.00	177.00
	Ceiling as per the Act	60.00	60.00	60.00	60.00	240.00

B. Remuneration to Other Directors

S No	Particulars of Remuneration	Name of Directors	Total Amount (Rupees)
1	Fee for attending Board Meeting /Committee Meeting of Board of Directors	Mr. B.R.Mahesh Mr.R.Mohan Reddy Smt.Bhavanarao	60,000 50,000 5000
2	Commission	—	—
	Total		1,15,000

C. Remuneration to Key Managerial Personnel Other Than MD/Manager/WTD

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Company Secretary	CFO	Total (Rs.Lakhs)
1.	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	—	1.60	17.45	19.05
	(b) Value of perquisites u/s17(2) Income-tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income taxAct, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission - as % of profit - others, specify...	-	-	-	-
5.	Others, please specify	-	-	-	-
	Total	-	1.60	17.45	19.05

IV. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of The Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD /NCLT /COURT]	Appeal made, if any (give Details)
Penalty	—	—	—	—	—
Punishment	—	—	—	—	—
Compounding	—	—	—	—	—
OTHER OFFICERS IN DEFAULT					
Penalty	—	—	—	—	—
Punishment	—	—	—	—	—
Compounding	—	—	—	—	—

Annexure 'A'

The Particulars as prescribed under Sub-section (3) (m) of section 134 of the Companies act 2013, read with Rule 8(3) of The Companies (Accounts) Rules 2014, are as under.

A. Conservation of Energy

- i) The steps taken or impact on conservation of energy: it is our continuous endeavor to implement the best practices in areas of energy conservation.
- ii) The steps taken by the company for utilizing alternate sources of energy : NA
- iii) The capital investment on energy conversion equipments: NA

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 : 60 lakhs
 - (c) Total: : 60 lakhs
 - (d) Total R & D expenditure as a percentage of total turnover: 0.34 %

Foreign Exchange Earnings and Outgo

- (i) Foreign Exchange Earnings : 334.74 Lakhs
- (ii) Foreign Exchange Outgo:

For Capital Goods	:	Nil
For Components on FOB basis	:	Rs 541.62 lakhs
Towards Foreign Travel	:	Rs. 30.05 Lakhs

Annexure 'B'

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Overview

The financial statements have been prepared in compliance with the requirements of the Companies act, 2013 and adopted "IND AS" with effect from 1st April, 2017. Accordingly the financial statements for the year 2017-18 have been prepared in compliance with Companies (Indian Accounting Standards) Rules, 2015. The estimates and judgments relating to financial statements have been made on a prudent and reasonable basis, so that the financial statements reflect in a true and fair manner.

The management presents the analysis of performance of your Company for the year 2017-18 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

The Indian machine tools sector offers several opportunities for investment. The machine tool market in India is increasing exponentially day by day. It is largely expected that the platforms like "Make in India" coupled with the growth in manufacturing are said to be the results of the growing demand in the machine tools sector. Given the current gap between demand and supply, there is a clear need for adding capacities in this sector. The industry is moving towards increasingly sophisticated CNC machines, driven by demand from key user segments, such as, automobiles and consumer durables, Aerospace etc. Machine tool manufacturers need to develop capabilities to cater to this demand and investments in this area could yield long term benefits.

With the Tractor, Auto and Truck business is on a rapid growth trajectory, the Auto Component Manufacturing Companies are also in a growth mode. There is a rapid demand from the OEMs and therefore significant capacities are being added by the Component Manufacturers.

Segment –wise Performance

Machine Tool Division: In line with the Industry performance as mentioned above, your company also is adding significant capacities in the coming years. Further, the technology will be upgraded on par with the Global levels by entering into strategic tie ups with leading European and South Asian companies.

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

Component Division: The Company has a rich experience of 34 years in automobile sector and in manufacturing of auto component such as Cylinder Blocks, Cylinder Heads and Connecting Rods. With significant demand from the OEMs, the company is adding capacities to meet the demands.

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 two non-executive 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, 2018 was 1044 (including trainees, employees on contract).

Financial Overview during the Year:

During the year under review the Company had maintain an all round growth in the operations. The turnover increased by 32.75%

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.

Annexure-C**Secretarial Audit Report**

For the Financial Year Ended 31-03-2018

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To
The Board of Directors
M/s.LOKESH MACHINES LTD
B-29 EEIE Stage, 2,
Balanagar ,Hyderabad

We have conducted the Secretarial Audit on the compliance of applicable statutory provisions and the adherence to good corporate practices by **LOKESH MACHINES LTD**

(hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on our verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in my opinion, the Company has, during the audit period ended on 31-03-2018, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by LOKESH MACHINES LTD (“**The Company**”) for the financial year ended on 31-03-2018 according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the Rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 (‘SCRA’) and the Rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder;
- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (‘**SEBI Act**’) :
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b. SEBI (Prohibition of Insider Trading) Regulations, 2015
 - c. The Securities and Exchange Board of India (Issue of capital and Disclosure Requirements) Regulations, 2009;
 - d. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
 - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;

-
- h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
 - i. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- vi. The Payment of Wages Act, 1936
 - vii. The Minimum Wages Act, 1948
 - viii. Employees Provident Fund and Misc. Provisions Act, 1952
 - ix. Employees State Insurance Act, 1948
 - x. Income Tax Act, 1961
 - xi. Payment of Gratuity Act, 1972
 - xii. Telangana Value added tax
 - xiii. Finance Act , 1944 (Service Tax)
 - vi. The Insurance Act, 1938 [AS AMENDED BY INSURANCE (AMENDMENT) ACT, 2002]
 - xiv. The Payment of Bonus Act, 1965
 - xv. The Factories Act, 1948
 - xvi. The Central Goods And Services Tax Act, 2017
1. We have also examined compliance with the applicable clauses of the Listing Agreements entered into by the Company with the BSE Limited, National Stock Exchange of India Limited.
 2. We further report that the Company has, in my opinion, complied with the provisions of the Companies Act, 2013 and the Rules made under that Act as notified by Ministry of Corporate Affairs and the Memorandum and Articles of Association of the Company, with regard to:
 - i. Closure of the Register of Members.
 - ii. Forms, returns, documents and resolutions required to be filed with the Registrar of Companies and the Central Government;
 - iii. The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
 - iv. Approvals of the Members, the Board of Directors, the Committees of Directors and the government authorities, wherever required;
 - v. Appointment and remuneration of Statutory Auditors;
 - vi. Declaration and payment of dividends;
 - vii. Borrowings and registration, modification and satisfaction of charges wherever applicable;
 - viii. Format of Balance Sheet and statement of profit and loss is as per Schedule III of the Companies Act 2013
 3. We further report that:
 - i. The Company has complied with the requirements under the Equity Listing Agreements entered into with BSE Limited, National Stock Exchange of India Limited;
-

- ii. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2013; including the provisions with regard to disclosures and maintenance of records required under the said Regulations;
 - iii. The Company has complied with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 including the provisions with regard to disclosures and maintenance of records required under the said Regulations;
 - iv. The Company has complied with the provisions of the Securities Contracts (Regulation) Act, 1956 and the Rules made under that Act, with regard to maintenance of minimum public shareholding.
 - v. There was no prosecution initiated and no fines or penalties were imposed during the year under review under the Companies Act, SEBI Act, SCRA, Depositories Act, Listing Agreement and Rules, Regulations and Guidelines framed under these Acts against / on the Company, its Directors and Officers.
5. We Further Report That:
- i. There was a delay in filing of some statutory forms / returns/ payment thereof as per the provisions of the relevant Acts.
 - ii. The Company is paying bonus to all employees as per the provisions of The Payment of Bonus Act, 1965 and all returns are filed in Required Forms as per the Act
 - iii. The Company is regular in payment of gratuity as per the rules of the Payment of Gratuity Act, 1972.
 - iv. The Company has filed return as per The Factories Act, 1948.
6. We further report that based on the information received and records maintained there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

Date: 31.08.2018
Place: Hyderabad

For L.D.Reddy & Co.,
Company Secretaries

L. Dhanamjay Reddy
(Proprietor)
CP. No.3752

Note: Our report should be read with the annexure enclosed

ANNEXURE

To,
The Members
M/s.LOKESH MACHINES LTD
B-29 EEIE Stage, 2,
Balanagar ,Hyderabad

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records on our audit.
2. We have followed the audit practices and processes as appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Where ever required, we have obtained the information and relevant documents including representation given by the management about the compliance of laws, rules and regulations and happening of events etc.
5. The compliances of the provisions of corporate and other applicable laws. Rules, regulations, standards are the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The secretarial Audit report is neither an assurance as to the future viability of the company nor of the company efficiency of effectiveness with which the management has conducted the affairs of the company.

Date: 31.08.2018
Place: Hyderabad

For L.D.Reddy & Co.,
Company Secretaries

L. Dhanamjay Reddy
(Proprietor)
CP. No.3752

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 Board of Directors along with its Committees provides leadership and guidance to the management.

The Company's Board of Directors comprises of 9 directors. Four are Executive Directors and Three Are Independent Directors and one Non-Executive Director, one Nomine Director.

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

During the year under review, Six Board Meetings were held on 30th May, 2017; 31st August, 2017; 13th September 2017; 13th December, 2017; 27th December 2017 and 9th February, 2018.

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	Designation & Category	Attendance Particulars			No of other Directorships and Committee memberships / Chairmanships held		
		Board Meetings during his Directorship		Last AGM	Other Directorships	Committee memberships	Committee chairmanships
		Held	Attended				
M. Lokeswara Rao DIN :00989447	Managing Director and Promoter Executive Director	06	06	Yes	3	NIL	Nil
B. Kishore Babu DIN : 00840630	Promoter- Executive Director	06	06	Yes	2	1	Nil
M. Srinivas DIN : 00917565	Promoter-Non Executive Director	06	06	Yes	1	1	Nil
M. Srikrishna DIN : 00841388	Promoter- Executive Director	06	04	Yes	1	1	Nil
K. Krishna Swamy DIN : 00840887	Non- Promoter, Executive Director	06	02	Yes	Nil	Nil	Nil
B. R. Mahesh DIN :00810019	Independent Non Executive Director	06	06	Yes	4	1	1
R. Mohan Reddy DIN : 00841038	Independent Non Executive Director	06	06	Yes	3	3	3
A.Vijayakumar DIN : 01655185	Independent Non Executive Director	06	02	No	1	Nil	Nil
Smt Bhavana Rao DIN : 00956209	Independent Nominee Director	06	02	No	5	Nil	Nil

Information on Directors appointment / re-appointment as required under the SEBI (LODR) Regulations 2015 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, 2013; the SEBI (LODR) Regulations 2015 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:

Independent Directors

The company has complied with the definition of independence as per the Regulation 16 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and according to the Provisions of section 149(6) of the companies act, 2013, the company has also obtained declarations from all the independent Directors pursuant to section 149(7) of the Companies Act, 2013.

Performance Evaluation of non – executive and independent Directors

The Board Evaluates the performance of Non-executive and independent directors every year, all the Non-executive and independent directors are eminent personalities having wide experience in the field of business, industry and administration. The presence on the board is advantageous and fruitful in taking business decisions.

III. Audit Committee**a) Brief description and terms of reference**

The Audit Committee of the Company is constituted in line with the provisions of the SEBI (LODR) Regulations 2015 with the Stock Exchanges as well as the Companies Act, 2013.

The terms of reference of the Audit Committee are comprehensive and cover the matters specified for audit committees under the SEBI (LODR) Regulations 2015 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 Executive Director . The Company Secretary of the Company acts as a secretary to the Committee. The Managing Director and the Finance Manager are 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 (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 as follows: on 30th May, 2017; 13th September, 2017; 13th December, 2017 and 09th February, 2018. 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 Nomination and 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 Nomination and Remuneration Committee comprises of three Independent Directors as follows:

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

No meeting was held during this financial year.

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.

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)	60.00	0.22	-	-	60.22
Mr. B. Kishore Babu Executive Director	39.00	0.22	-	-	39.22
Mr. M.Srinivas Whole-time Director	39.00	0.22	-	-	39.22
Mr. M. Srikrishna Whole-Time Director	39.00	0.22	-	-	39.22

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 2017-18' is given below:

Name of Director Sitting Fees paid(Rs)

Mr. B R Mahesh	60000
Mr. R Mohan Reddy	50000
Smt. Bhavana Rao	5000

f) Shareholdings of Non Executive Directors as on March 31, 2018:

Mr. B R Mahesh, Mr. R Mohan Reddy, Mr. A. Vijay Kumar, 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.

V. Stakeholders Relationship Committee

The Stakeholders Relationship 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)

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.

During the period under review One Shareholders Grievance Committee Meetings were held on 19th March 2018, The details of attendance of members of the Committee during the year are given below:

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

Compliance Officer

The Board has appointed Mr Matru Prasad Mishra, as the Company Secretary as Compliance Officer with effect from 14th December, 2017.

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, 2018.

VI General Meetings:

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

Year	AGM	Venue	Date	Time
2014-15	31 st	Jubilee Hills International Centre Near Jubilee Hills Check Post, Road No. 14, Hyderabad-500 033	29/09/2015	11:00 A.M.
2015-16	32 nd	Jubilee Hills International Centre Near Jubilee Hills Check Post, Road No. 14, Hyderabad-500 033	28/09/2016	11:00 A.M.
2016-17	33 rd	Jubilee Hills International Centre Near Jubilee Hills Check Post, Road No. 14, Hyderabad-500 033	28/09/2017	11:00 A.M.

Special resolutions

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

AGM held on	Whether Special resolution passed	Summary of the resolution
28-09-2017	No	1. No Special Resolutions were passed at 33 rd AGM.
28-09-2016	5	1. Revision in the remuneration of Mr M.Lokeswararao as Managing director 2. Revision in the remuneration of Mr B.Kishore Babuas Executive director 3. Revision in the remuneration of Mr M.Srinivas Executive director 4. Revision in the remuneration of Mr M Srikrishna as Executive director

		5. Ratification of Typo Graphical Errors in the EGM Notice
28-09-2015	5	<ol style="list-style-type: none"> 1. Re- Appointment of Mr M.Lokeswararao as Managing director 2. Re- Appointment of Mr B.Kishore Babuas Executive director 3. Re- Appointment of Mr M.Srinivas Executive director 4. Re- Appointment of Mr M Srikrishna as Executive director 5. Ratification of Typo Graphical Errors in the EGM Notice

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. Also Related Party Transactions are approved by Audit Committee and then ratified by the Board in their duly convened meeting.

Disclosure of Accounting Treatment:

In the preparation of financial statements, the Company has adopted "IND AS" with effect from April 01st, 2017. Accordingly the financial statements for the year 2017-18 have been prepared in Compliance with Companies (Indian Accounting Standards) Rules, 2015 and the relevant provisions of Companies Act, 2013.

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 is placed at periodic intervals for review by the Board.

Whistle Blower /Vigil Mechanism:

The Company has established a whistle Blower /Vigil Mechanism through its Directors, Employees and stakeholders can report their genuine concerns about unethical behaviours, actual or suspected fraud or violation of the company's code of conduct or ethics policy. The said policy provides for adequate safeguards against victimization and also direct access to the higher levels of supervisors.

The E-Mail ID for reporting genuine concerns is: cosecy@lokeshmachines.com

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 2018.

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

During the financial year 2017-18, the Company has not issued any GDRs/ADRs. However the Company has allotted 8,63,970 No. of Equity Shares by conversion of equal No. of warrants to promoters and non-promoters during the Financial Year 2017-18. No warrants are outstanding as on 31st March, 2018.

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 Financial Express (English) and Nava Telangana (Telgu) within 48 hours of the conclusion of the Board meeting.

The Company's website www.lokeshmachines.com contains a separate dedicated section "Investor Center" 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.

IX General Shareholder Information

a.	Annual General Meeting	
	Date, time and venue of Annual General Meeting	September 28th, 2017, at 11.00 AM at Jubilee Hills International Centre, Near Jubilee Hills Check Post, Road No. 14, Hyderabad - 500 033
b.	Financial Calendar (Tentative)	1st April to 31st March a) Annual General Meeting : September 29, 2018 b) Results for the quarter ending June 30, 2018: 2 nd Week of August, 2018 c) Results for the quarter ending September 30, 2018 : on or before 14 th November, 2018 d) Results for the quarter ending December 31, 2018: on or before 14 th February, 2019 e) Results for the Year ending March 31, 2019: on or before 30 th May, 2019
c.	Date of Book Closure (both days inclusive)	September 23 rd , 2018 to 29 th September, 2018 both days inclusive
d.	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.
e.	Stock Code	532740 (BSE) LOKESHMACH (NSE)
f.	Dematerialisation of shares and liquidity	The Company's equity shares are available for dematerialization on both the Depositories i.e. 1. The National Securities Depository Ltd Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parle Mumbai – 400013 2. Central Depository Services (India) Ltd Phiroze Jeejeebhoy Towers, 28 th Floor Dalal Street, Mumbai – 400023 The International Securities Identification Number (ISIN) allotted to the Company's scrip is ISIN: INE397H01017.

		99.93% of equity shares are held in dematerialised form as on March 31, 2018.
g	Registered Office Address (for correspondence)	B-29, EEIE, Stage IIBalanagarHyderabad – 500 037
h	Registrar and Share Transfer Agent's Contact Address	<p>Karvy Computershare Pvt. Ltd. Karvy Selenium Tower B, Plot No.31-32, Gachibowli Financial District, Nanakramaguda, Serilingampally, Hyderabad - 500 008 Phone : +91 40 67161524 Fax : +91 40 23001153 E-mail: einward.ris@karvy.com Web Site: www.karvy.com</p> <p>Note: Shareholders holding shares in electronic mode should address all correspondence to their respective depository participants</p>
i	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.
j	Details of Compliance Officer	<p>Mr. Matru Prasad Mishra Company Secretary and Compliance Officer Lokesh Machines Limited B-29, EEIE Stage-II Balanagar, Hyderabad-500 037, Telangana, India. Phone : (040) 23079310 /311/312 /313 Fax: (040) 23078274 CIN: L29219TG1983PLC004319 cosecy@lokeshmachines.com</p>
k	Plant locations	<p>Temple Road, Bonthapally, Medak District, Telangana</p> <p>B - 25 & 36, EEIE, Stage II, Balanagar, Hyderabad, Telangana</p> <p>B - 15 & 17, EEIE, Stage II, Balanagar, Hyderabad, Telangana</p> <p>Ravalkol village, Medchal Mandal. Rangareddy Distt, Telangana</p> <p>Plot No 41, IDA Balanagar, Hyderabad, Telangana</p> <p>Plot No D260/1, Ranjangaon Industrial Area, MIDC, Shirur, Pune, Maharashtra</p>

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, 2015 (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 under listing regulations which is attached to this report.

Distribution of shareholding as on March 31, 2018

S.No.	Category (Amount)	Numbers of shareholders	% of shareholders	Number of shares	% of shareholding
1.	1 to 5000	11185	83.87	1625754	9.08
2.	5001-10000	1098	8.23	932909	5.21
3.	10001-20000	537	4.02	831107	4.65
4.	20001-30000	164	1.22	406784	2.27
5.	30001-40000	75	0.56	267015	1.49
6.	40001-50000	76	0.56	358639	2.00
7.	50001-100000	92	0.68	936727	5.23
8.	100001 & Above	108	0.80	12537835	70.05
	Total	13,335	100.00	17896770	100.00

Shareholding pattern as on March 31, 2018

Category	No of Shareholders	Total Shares	% of Equity
CLEARING MEMBERS	45	63334	0.35
TRUSTS	1	6000	0.03
RESIDENT INDIVIDUALS	12397	6670377	37.27
H U F	529	372800	2.08
INDIAN FINANCIAL INSTITUTIONS	3	438090	2.19
INDIAN PROMOTERS	18	8991705	50.24
BODIES CORPORATES	227	1237352	6.91
NBFC	1	500	0.002
NON RESIDENT INDIANS	114	116612	0.65
Total	13335	17896770	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 2017-18 were as follows:

Market Price and Index Data High, Low during each month in Last financial year	Months	Lokesh Machines (BSE)		Lokesh Machines (NSE)	
		High	Low	High	Low
	Apr 17	100.80	83.60	106.70	82.00
	May 17	104.10	84.55	109.55	83.55
	Jun 17	89.50	75.05	93.10	74.20
	July 17	86.80	78.20	89.40	76.65
	Aug 17	86.90	77.10	89.50	74.25
	Sep 17	84.70	72.95	86.70	71.00
	Oct 17	78.35	71.55	81.50	71.50
	Nov 17	78.50	69.50	81.40	68.15
	Dec 17	74.35	66.80	77.20	66.35
	Jan 18	78.70	69.25	82.40	68.00
	Feb 18	71.85	59.60	74.80	58.10
	Mar 18	66.05	50.20	67.05	48.60

DECLARATION FOR CODE OF CONDUCT

A Code of Conduct for the Directors and Senior Management Personnel has already been approved by the Board of Directors of the Company. As stipulated under Para D of Schedule V of

Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 with stock exchanges, all the Directors and the designated personnel in the Senior Management of the Company have affirmed compliance with the aforesaid Code of Conduct as applicable to them for the financial year ended March 31, 2018

For Lokesh Machines Limited

Place: Hyderabad
Date: 31ST August, 2018

M. Lokeswara Rao
Managing Director

CEO AND CFO CERTIFICATION

To
The Board of Directors
Lokesh Machines Ltd
Hyderabad

We, M.Lokeswara Rao, Managing Director and V.Sudhakara Reddy Chief Financial Officer of Lokesh Machines Ltd, to the Best of Our Knowledge and belief certify:

- a. We have reviewed the financial statements and the cash flow statements for the Financial year ended on 31st March, 2018 and that to the best of our knowledge and belief.
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading
 - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of Company's code of conduct.
- c. Appropriate internal controls for financial Reporting in place which are reasonably expected to safeguard assets of the Company and there are no deficiencies in the design or operation of internal Controls, of which we are aware.
- d. During the Financial Year ended 31 st March 2018
 - i. no Significant changes in internal control over financial reporting:
 - ii. no Significant changes in accounting policies:
 - iii. no instances of fraud of which we have become aware

M.Lokeswara Rao
Managing Director

V.Sudhakara Reddy
Chief Financial Officer

Place: Hyderabad.
Date: 16th May, 2018

CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of Lokesh Machines Limited

We have examined all the relevant records of Lokesh Machines Ltd (“the Company”) for the Year ended on 31st March, 2018, as Stipulation in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), 2015 (“Regulations”)

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 the above mentioned Regulations..

We 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 K S Rao & CO.
Chartered Accountants

(M. Naga Prasad)
Partner
Membership No. 231388

Place: Hyderabad.
Date: 16th May, 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LOKESH MACHINES LIMITED, HYDERABAD.

Report on the Indian Accounting Standards (Ind AS) Financial Statements

We have audited the accompanying financial statements of **LOKESH MACHINES LIMITED**, ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance (including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, and its total comprehensive income (comprising of profit and other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Other Matter

The comparative financial information of the Company for the year ended March 31, 2017 and the transition date opening balance sheet as at April 1, 2016 included in these Ind AS financial statements, are based on the previously issued statutory financial statements for the years ended March 31, 2017 and March 31, 2016 prepared in accordance with the Companies (Accounting Standards) Rules, 2006 (as amended) which were audited by the predecessor auditor who expressed an unmodified opinion vide reports dated May 30, 2017 and May 28, 2016 respectively. The adjustments to those financial statements for the differences in accounting principles adopted by the Company on transition to the Ind AS have been audited by us. Our opinion is not qualified in respect of above matter.

Report on Other Legal and Regulatory Requirements:

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books
 - (c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act.
 - (e) On the basis of the written representations received from the directors as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) With respect of adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B".
 - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has does not have any pending litigations which would impact its financial position.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

for **K.S.RAO & CO.**
Chartered Accountants
Firm's Regn No. 003109S

M.NAGA PRASADU

Place : Hyderabad
Date : 16.05.2018

Partner
Membership No. 231388

Annexure - A to the Auditor's Report:

The Annexure referred to in Para 1 under the heading of "Report on Other Legal and Regulatory Requirements" of our report of even date, to the members of **LOKESH MACHINES LIMITED**, HYDERABAD, for the year ended 31st March, 2018.

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 the fixed assets during the year and there is a regular programme of physical verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of the assets. No discrepancies were noticed on such verification.
 - c. According to the information and explanation given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the names of the Company.
 2. As explained to us, the inventories have been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of verification is reasonable. The discrepancies noticed on physical verification between the physical stocks and book records were not material.
 3.
 - a. During the year, the Company has not granted any loans, secured or unsecured to Companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.
 - b. In view of our comments in para (a) above, Clause (III) (a), (b) and (c) of paragraph 3 of the aforesaid order are not applicable to the Company.
 4. In our opinion and according to the information and explanation given to us, the Company has not advanced any loan to any Director and no investments were made during the year as referred to in sections 185 and 186 of the Act. Therefore, the provisions of Paragraph 3(iv) of the Companies (Auditor's Report) Order 2016 are not applicable to the Company.
 5. The Company has not accepted any deposits from the public. Hence the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013, and the rules framed there under, do not apply to this Company.
 6. We have broadly reviewed the cost records maintained by the Company pursuant to sub-section (1) of section 148 of the Companies Act, 2013 and are of the opinion that prime facie the prescribed accounts and records have been made and maintained. We have however not made a detailed examination of the cost records with a view to determine whether they are accurate or Complete.
 7.
 - a. According to the records, the company is not regular in depositing undisputed statutory dues including provident fund, employees' state insurance, Income-tax, Sales-tax, Service tax, Goods and Services Tax, Duty of customs, Duty of excise, Value added tax, Cess and all other statutory dues with the appropriate authorities. According to the information and explanations given to us, there are no arrears of outstanding statutory dues as at March 31, 2018 for a period more than six months from the date they became payable.
 - b. According to the records of the Company and the information and explanations given to us, there were no dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax have not been deposited on account of any dispute.
 8. 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 during the year.
-

9. During the year under review, the company during the year has made preferential allotment of Equity shares and requirements of Section 42 and other provisions of the Companies Act,2013 have been complied with. applicable.
10. According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
11. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
12. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Companies (Auditor's Report) Order 2016 is not applicable.
13. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
14. According to the information and explanation given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
15. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Companies (Auditor's Report) Order 2016 is not applicable.
16. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

for **K.S.RAO & CO.**
Chartered Accountants
Firm's Regn No. 003109S

M.NAGA PRASADU)

Partner
Membership No. 231388

Place : Hyderabad
Date : 16.05.2018

Annexure – B to the Auditor’s Report

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of **LOKESH MACHINES LIMITED, HYDERABAD** (“the Company”) as of 31st March 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (‘ICAI’). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material aspects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud and error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Meaning of Internal Financial Controls over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditure of the Company are being made only in accordance with authorisations of management and directors of the Company; and

3. provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

for **K.S.RAO & CO.**
Chartered Accountants
Firm's Regn No. 003109S

M.NAGA PRASADU)

Partner
Membership No. 231388

Place : Hyderabad
Date : 16.05.2018

BALANCE SHEET AS AT 31st MARCH, 2018

Rs. in Lakhs

PARTICULARS	Note No.	As at 31.03.2018	As at 31.03.2017	As at 31.03.16
I ASSETS				
1 Non-Current Assets				
(a) Property, Plant and Equipment	4	10,833.27	8,554.48	9,472.83
(b) Capital Work-in-Progress		1,900.18	4,108.13	2,913.46
(c) Intangible assets		17.37	16.63	19.02
(d) Financial Assets				
(i) Investments	5	150.00	150.00	150.00
(ii) Loans and advances	6	552.28	856.72	1,249.75
(iii) Other Financial assets	7	996.23	1,244.40	1,325.80
Total Non-Current assets		14,449.33	14,930.36	15,130.86
2 Current Assets				
(a) Inventories	8	9,576.70	9,564.61	9,069.83
(b) Financial Assets				
(i) Trade Receivables	9	2,479.95	2,651.03	2,960.38
(ii) Cash and cash equivalents	10	308.32	228.59	258.61
(iii) Loans and advances	11	734.81	1,341.15	974.48
(iv) Other financial assets	12	418.40	799.84	855.07
Total Current assets		13,518.18	14,585.22	14,118.37
TOTAL ASSETS		27,967.51	29,515.58	29,249.23
II EQUITY AND LIABILITIES				
1 Shareholder's funds				
(a) Equity Share capital	13	1,789.68	1,703.28	1,471.07
(b) Other Equity	14	11,975.62	10,898.40	9,507.35
(c) Money received against share warrants		-	275.92	145.88
Total Equity		13,765.30	12,877.60	11,124.30
2 Non-Current liabilities				
(a) Financial borrowings	15	782.69	1,876.43	2,708.01
(b) Deferred tax liabilities (Net)	16	900.08	854.07	886.59
(c) Other Non-Current liabilities	17	198.29	440.15	901.76
(d) Provisions	18	240.88	283.62	267.84
Total Non-Current liabilities		2,121.94	3,454.27	4,764.20
3 Current liabilities				
(a) Financial liabilities				
(i) Borrowings	19	6,455.86	6,560.12	6,999.50
(ii) Trade payables	20	2,759.22	2,920.01	2,969.16
(iii) Other Financial liabilities	21	1,153.59	1,299.12	1,514.70
(b) Other current liabilities	22	1,502.68	1,974.86	1,494.94
(c) Provisions	23	208.92	429.60	382.43
Total Current liabilities		12,080.27	13,183.71	13,360.73
Total Equity and liabilities		27,967.51	29,515.58	29,249.23
Significant Accounting policies and key accounting adjustments & Judgements.	1-43			

As per our report of even date attached

for **K. S. RAO & CO.**

Chartered Accountants

Firm's Registration No. : 003109S

M. NAGA PRASADU

Partner

Membership No. 231388

Place: Hyderabad

Date: 16th May, 2018

For and on behalf of the Board

M. LOKESWARA RAO

Managing Director

B. KISHORE BABU

Executive Director

V. SUDHAKARA REDDY

Chief Financial Officer

MATRU PRASAD MISHRA

Company Secretary

STATEMENT OF PROFIT & LOSS FOR THE PERIOD ENDED 31st MARCH , 2018

Rs. in Lakhs

PARTICULARS	Note No.	Current Year 31.03.2018	Previous Year 31.03.2017
I INCOME			
Revenue from Operations	24	17,494.48	13,177.82
Other Income	25	84.05	35.18
Total Income		17,578.53	13,213.00
II EXPENSES			
Cost of Material consumed	26	9,317.97	6,818.60
Changes in inventories of finished goods and work in progress	27	(13.70)	(402.70)
Other Manufacturing expenses	28	1,711.48	1,451.86
Employee benefits expense	29	3,047.02	2,782.90
Financial costs	30	1,408.88	1,666.12
Depreciation and amortization expenses	31	817.28	818.11
Other expenses	32	927.08	854.21
		17,216.01	13,989.10
Less : Captive consumption		352.98	1,107.25
Total Expenses		16,863.03	12,881.85
III Profit before taxes (I-II)		715.50	331.15
IV Tax expenses			
- Income tax -Current		200.00	155.00
- Deferred Tax		45.03	(34.88)
Total tax expenses		245.03	120.12
V Profit for the year after taxes (III-IV)		470.47	211.03
VI Other Comprehensive income			
i Items that will not be reclassified subsequently to profit or loss		2.95	7.16
ii Income tax relating to items that will not be reclassified to profit or loss		(0.98)	(2.36)
Total Other Comprehensive income for the period		1.97	4.80
VII Total Comprehensive Income for the year (V+VI)		472.44	215.83
VIII Earning per equity share (Face value of Rs.10/- each)			
Basic	33	2.73	1.32
Diluted		2.73	1.28
Significant Accounting policies and key accounting adjustments & Judgements.	1-43		

As per our report of even date attached

for **K. S. RAO & CO.**

Chartered Accountants

Firm's Registration No. : 003109S

For and on behalf of the Board

M. NAGA PRASADU

Partner

Membership No. 231388

M. LOKESWARA RAO

Managing Director

B. KISHORE BABU

Executive Director

Place: Hyderabad

Date: 16th May, 2018**V. SUDHAKARA REDDY**

Chief Financial Officer

MATRU PRASAD MISHRA

Company Secretary

Statement of Changes in Equity

(Rupees in Lakhs)

A. Equity Share Capital

As At April 1, 2016	1,471.07
Changes in equity share capital during the year	232.21
As at March 31, 2017	1,703.28
Changes in equity share capital during the year	86.40
As at March 31, 2018	1,789.68

B. Other Equity

Particulars	Capital Redemption Reserve	Security Premium	General Reserves	Retained Earning	Remeasurement of defined benefit plan	Total
Balance as at April 01, 2016	150.00	5,508.20	425.00	3,424.15		9,507.35
Profit for the Year				211.03		211.03
Addition during the year		1,275.33				1,275.33
Dividend including dividend distribution tax				-100.11		-100.11
Total comprehensive income for the year					4.80	4.80
Balance as at 31, March, 2017(Restated)	150.00	6,783.53	425.00	3,535.07	4.80	10,898.40
Addition during the year		604.78				604.78
Total comprehensive income for the year					1.97	1.97
Profit for the Year				470.47		470.47
Balance as at 31, March, 2018	150.00	7,388.31	425.00	4,005.54	6.77	11,975.62

The description of nature and purpose of reserves within equity is as follows:

- Capital Redemption Reserve : Created on redemption of preference shares and it can be utilized as per section 63 of the companies act 2013.
- Security premium : Premium received on issue of equity shares credited to security premium and it can be utilized as per section 63 of the companies act 2013.
- General reserve: Reserve is created from time to time by transfer of profits from retained earnings and it can be utilized as per section 63 of the companies act 2013.
- Retained earnings: Retained earnings are accumulation of profits earned by the company and it can be utilized as per section 63 of the companies act 2013.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2018

(Rs. in Lakhs)

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before taxes	715.50	331.15
Adjusted for		
Depreciation	817.28	818.11
Financial charges	1,408.88	1,666.12
Profit on sale of asset	(29.71)	(7.75)
Interest Income	(14.93)	(12.03)
Other comprehensive income	2.95	7.16
Operating profit before working capital changes	2,899.97	2,802.76
Adjustment for changes in		
Decrease/(Increase) in Receivables & Other advances	1,297.00	50.83
Decrease/(Increase) in Inventories	(12.09)	(494.78)
Decrease/(Increase) in Trade and other payables	(1,067.90)	(104.93)
Cash generated from operations	3,116.98	2,253.88
Direct taxes paid	(81.51)	(147.49)
Net Cash Flow from Operating Activity (A)	3,035.47	2,106.39
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets including CWIP and capital advances	(741.75)	(973.88)
Sale of assets	187.03	282.62
Interest received	6.47	16.07
Net Cash Flow from Investing Activity (B)	(548.25)	(675.19)
CASH FLOW FROM FINANCING ACTIVITIES		
Increase/(Decrease) in Bank Borrowings	(1,343.53)	(1,486.54)
Proceedings from equity & Share Application money	415.26	1,637.58
Dividend paid	-	(83.18)
Interest paid	(1,479.23)	(1,529.08)
Net Cash Flow from Financing Activity (C)	(2,407.50)	(1,461.22)
Net Increase/(Decrease) in Cash/Cash equivalents (A+B+C)	79.72	(30.02)
Add: Cash/Cash equivalents at the beginning of the year	228.60	258.62
Cash/Cash equivalents at the end of the year	308.32	228.60

As per our report of even date attached

for **K. S. RAO & CO.**

Chartered Accountants

Firm's Registration No. : 003109S

For and on behalf of the Board

M. NAGA PRASADU

Partner

Membership No. 231388

M. LOKESWARA RAO

Managing Director

B. KISHORE BABU

Executive Director

Place: Hyderabad

Date: 16th May, 2018**V. SUDHAKARA REDDY**

Chief Financial Officer

MATRU PRASAD MISHRA

Compancy Secretary

Notes to the financial statements for the year ended March 31, 2018(Continued)

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT: FOR THE YEAR ENDED MARCH 31, 2018 (Rs. in Lakhs)

Sl. No.	PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK		
		As at 01.04.2017	Additions	Deletions	As at 31.03.2018	Upto 31.03.2017	For the year	Deletions	Upto 31.03.2018	As at 31.03.2018	As at 31.03.2017	As at 31.03.2016
A	Tangible Assets											
1)	Freehold Land	1,137.66	250.69	-	1,388.35	-	-	-	-	1,388.35	1,137.66	1,137.66
2)	Buildings	2,363.77	1,345.52	-	3,709.29	751.61	74.88	-	826.49	2,882.80	1,612.16	1,666.85
3)	Plant and Machinery	11,171.41	1,410.26	237.50	12,344.17	6,352.98	523.02	91.22	6,784.78	5,559.39	4,818.43	5,563.73
4)	Furniture & Fixtures	93.50	0.93	-	94.43	77.93	2.15	-	80.08	14.35	15.57	21.77
5)	Vehicles	380.14	172.18	121.19	431.13	282.37	42.64	110.15	214.86	216.27	97.77	43.57
6)	Misc. Equipment	2,084.17	61.44	-	2,125.61	1,200.99	168.57	-	1,369.56	756.05	863.18	1,019.54
7)	Office Equipment	69.58	2.39	-	71.97	65.14	1.70	-	66.84	5.13	4.44	6.10
8)	Computers	288.85	8.62	-	297.47	283.59	2.95	-	286.54	10.93	5.26	3.61
	Total	17,569.08	3,252.03	358.69	20,462.42	9,014.61	815.91	201.37	9,629.15	10,833.27	8,554.48	9,472.83
B	In tangible Assets											
	Computer software	60.90	2.11	-	63.01	44.27	1.37	-	45.64	17.37	16.63	19.02
	Total	60.90	2.11	-	63.01	44.27	1.37	-	45.64	17.37	16.63	19.02
	Total	17,629.98	3,254.14	358.69	20,525.43	9,058.88	817.28	201.37	9,675.00	10,851.00	8,571.11	9,491.85
C	March 31, 2017	18,168.74	172.24	711.00	17,629.98	8,678.00	818.12	436.12	9,059.88	8,570.10	9,491.85	
	Capital work in progress	4,108.13	(2,207.95)	-	1,900.18	-	-	-	-	1,900.18	4,108.13	

Notes to the Financial Statements for the Year ended 31st March, 2018.

NOTE 5 - INVESTMENTS-NON CURRENT

Rs. In Lakhs

Particulars	As At 31.03.2018	As At 31.03.2017	As At 31.03.2016
Investment in equity shares (Un-Quoted)			
a) 5,00,000 Equity shares of Rs.10/- each in M/s MLR Motors Ltd	50.00	50.00	50.00
b) 5,00,000 Equity shares of Rs.20/- each in M/s MLR Auto Ltd	100.00	100.00	100.00
Total	150.00	150.00	150.00

NOTE 6 - LOANS AND ADVANCES -NON CURRENT

(Un secured - considered good)			
Capital advances	552.28	856.72	1,249.75
Total	552.28	856.72	1,249.75
Capital advances includes Rs.550.56 lakhs(Previous year Rs. 855.00 lakhs) given to the group companies towards purchase of Land and Machinery.			

NOTE 7 - OTHER FINANCIAL ASSETS - NON CURRENT

(Un secured - considered good)			
Security Deposits	201.37	202.03	181.02
Land Lease rentals	327.19	330.97	334.76
Other Receivables	467.67	711.40	810.02
Total	996.23	1,244.40	1,325.80
Other receivables include Rs.314.87 Lakhs (Previous Year Rs. 314.87 Lakhs) due from Group companies.			

NOTE 8 - INVENTORIES

(At cost and certified by the Management)			
a) Raw Materials & Components	1,720.79	1,722.39	1,630.31
b) Finished Goods	531.93	534.53	526.91
c) Work-in-Progress	7,313.14	7,296.41	6,902.35
d) Scrap (at realisable value)	10.84	11.28	10.26
Total	9,576.70	9,564.61	9,069.83
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			

Notes to the Financial Statements for the Year ended 31st March, 2018.

NOTE 9 - TRADE RECEIVABLES

Rs. In Lakhs

Particulars	As At 31.03.2018	As At 31.03.2017	As At 31.03.2016
For a period exceeding six months			
Un secured, Considered Good	683.45	604.88	570.53
For a period less than six months			
Un secured, Considered Good	1,796.50	2,046.15	2,389.85
Total	2,479.95	2,651.03	2,960.38

NOTE 10 - CASH AND CASH EQUIVALENTS

(a) Balances with banks:			
Current accounts	133.42	148.68	111.84
Ear marked with Banks- Un paid Dividends	1.25	1.26	1.26
Against Margin Money/ Guarantee	171.76	77.53	142.78
(b) Cash on hand	1.89	1.12	2.73
Total	308.32	228.59	258.61

NOTE 11 - LOANS AND ADVANCES - CURRENT

(Un secured - considered good)			
Advances against materials and services	549.98	865.39	560.83
Advances for capital purchases	166.37	408.17	384.33
Other advances	18.46	67.59	29.32
Total	734.81	1,341.15	974.48

NOTE 12 - OTHER FINANCIAL ASSETS -CURRENT

(Un secured - considered good)			
Balance with Central Excise/GST authorities	208.40	466.29	487.38
Provision for Income Tax (Net)	146.87	265.36	289.80
Interest accrued on deposits	34.99	26.53	30.57
Prepaid expenses	28.14	41.66	47.32
Total	418.40	799.84	855.07

Notes to the Financial Statements for the Year ended 31st March, 2018.

NOTE 13 - EQUITY SHARE CAPITAL

Rs. In Lakhs

Particulars	As At 31.03.2018	As At 31.03.2017	As At 31.03.2016	
a. Authorised Share Capital 2,00,00,000 Equity Shares of Rs.10 each (On 31.03.2016 : 1,75,00,000 shares)	200,000,000	200,000,000	175,000,000	
	200,000,000	200,000,000	175,000,000	
b. Issued, Subscribed and Paid-Up 1,78,96,770 Equity Shares of Rs.10 each (Previous years :1,70,32,800 & 1,47,10,734)	1,789.68	1,703.28	1,471.07	
Total	1,789.68	1,703.28	1,471.07	
c. Reconciliation of the shares outstanding at the beginning and the end of respective years:				
No. of shares at the beginning of the year	17,032,800	14,710,734	11,777,400	
Issued during the year	863,970	2,322,066	2,933,334	
No. of shares at the end of the year	17,896,770	17,032,800	14,710,734	
d. Rights Attached to the Equity Shares The Company has only one class of equity shares having a face value of Rs. 10/- per share with one vote per each share. The Company declares and pay dividends in Indian Rupees. The dividends proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining asset of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.				
e. During this financial year, the company has converted the convertible warrants of 8,63,970 which was issued during the previous year in to equity.				
f. Details of Share Holders holding more than 5% of shares in the Company.				
M.Lokeswara Rao	- In Nos.	5,53,093	792,217	801,872
	- In %	3.09	4.65	5.45
M.Vijayalakshmi	- In Nos.	1,844,913	1,844,913	1,844,913
	- In %	10.31	10.83	12.54
M.Srinivas	- In Nos.	1,921,615	1,921,615	1,343,271
	- In %	10.74	11.28	9.13
M.Srikrishna	- In Nos.	1,812,271	1,812,271	1,502,782
	- In %	10.13	10.64	10.22
B.Kishore babu	- In Nos.	1,097,009	1,097,009	941,020
	- In %	6.13	6.44	6.40
Ashish Kacholia	- In Nos.	-	200,000	1,600,000
	- In %	-	1.17	10.88
Sushmita Ashish Kacholia	- In Nos.	-	1,150,000	-
	- In %	-	6.75	-

Notes to the Financial Statements for the Year ended 31st March, 2018.

NOTE 14 - OTHER EQUITY

Rs. In Lakhs

Particulars	As At 31.03.2018	As At 31.03.2017	As At 31.03.2016
(a) Capital Redemption Reserve At the beginning and at the end of the year	150.00	150.00	150.00
(b) Securities Premium Reserve At the beginning of the year Add: Additions for the year At the end of the year	6,783.53 604.78 7,388.31	5,508.20 1,275.33 6,783.53	4,334.87 1,173.33 5,508.20
(c) General Reserve At the beginning and at the end of the year	425.00	425.00	425.00
(d) Surplus in Statement of Profit & Loss At the beginning of the year Adjustment due to adoption of Ind AS Profit for the year Appropriations: Less: Equity Dividend Corporate Dividend Tax Closing Balance	3,535.07 — 470.47 4,005.54 — — 4,005.54	3,424.15 — 211.03 3,635.18 83.18 16.93 3,535.07	3,660.39 (450.05) 213.81 3,424.15 — — 3,424.15
(e) Other Comprehensive Income On Actuarial Gain/(loss) on post employment benefits At the beginning of the year Add: Additions for the year At the end of the year	4.80 1.97 6.77	— 4.80 4.80	— — —
Total	11,975.62	10,898.40	9,507.35

NOTE 15 - FINANCIAL BORROWINGS -NON CURRENT

Term Loans - Secured			
a) State Bank of India -1	-	44.34	209.08
b) Punjab National Bank -1	111.22	560.63	560.39
c) Punjab National Bank -2	28.49	48.89	78.30
d) State Bank of India - 2	280.72	419.92	517.60
e) Mahindra & Mahindra Finance Ltd	150.08	606.72	1,124.71
f) Electronica Finance Ltd	66.71	161.05	216.33
Total	637.22	1,841.55	2,706.41

- The Loans referred at (a) above are secured by Extention of 1st pari-passu charge on current assets, 2nd charge on the fixed assets pari-passu basis and immovable property at Medchel standing in the name of Mr. M. Lokeswara Rao.
- The Loans referred at (b) & (c) above are secured by 1st pari-passu charge by hypothecation of land & buildings and Plant & Machinery, created out of bank finance as per 2DI expansion plan at Pune and guaranted 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.

Notes to the Financial Statements for the Year ended 31st March, 2018.

Rs. In Lakhs

Particulars	As At 31.03.2018	As At 31.03.2017	As At 31.03.2016
3 The Loans referred at (d) above are secured by 1st pari-passu charge by hypothecation of Plant & Machinery, created out of bank finance for set up of connecting rods line 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.			
4 The Loans referred at (e) and (f) above are secured by 1st pari-passu charge by hypothecation of movable fixed assets (Plant & Machinery), created out of finance and guaranteed by Managing Director and Director.			
Terms of Repayments			
	Sanction date	Rate of Interest	Quarterly
a) State Bank of India -1	02.09.2013	13.75%	16
b) Punjab National Bank -1	15.11.2010	14.65%	24
c) Punjab National Bank -2	30.12.2014	14.65%	20
d) State Bank of India -2	25.07.2012	15.60%	28
II Vehicle Hire Purchase Loans	145.47	34.88	1.60
Total	145.47	34.88	1.60
1 Hire Purchase Loans above are secured by hypothecation of the respective asset and guaranteed by one of the Directors of the Company and repayable in monthly installments.			
Total (I+II)	782.69	1,876.43	2,708.01

NOTE 16 - DEFERRED TAX LIABILITIES (NET)

Deferred tax liability Difference in WDV value of assets (between books and Income tax)	979.72	947.84	975.14
Deferred tax asset Provisions charged to the statement of profit and loss but not allowed as per Income tax Act.	79.64	93.77	88.55
Total	900.08	854.07	886.59

Notes to the Financial Statements for the Year ended 31st March, 2018.

NOTE 17 - OTHER NON CURRENT LIABILITIES

Rs. In Lakhs

Particulars	As At 31.03.2018	As At 31.03.2017	As At 31.03.2016
Creditors for Capital expenditure	27.49	79.34	284.17
Advance from customers	170.80	209.54	153.59
Advance received against sale of asset	0.00	151.27	464.00
Total	198.29	440.15	901.76

NOTE 18 - PROVISIONS - NON CURRENT

(a) Provision for employee benefits			
Gratuity	141.62	169.95	159.17
Leave Encashment	99.26	113.67	108.67
Total	240.88	283.62	267.84

NOTE 19 - BORROWINGS - CURRENT

a. Working Capital Loans -Secured			
State Bank of India -Cash Credit	3,900.00	4,000.14	4,219.94
Punjab National Bank Cash Credit	226.54	62.15	471.25
WCDL	760.00	760.00	760.00
Indusind Bank - Cash Credit	1,060.71	1,150.00	1,169.63
Total	5,947.25	5,972.29	6,620.82
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 Un secured loan			
From Companies	508.61	587.83	378.68
	508.61	587.83	378.68
Total(a+b)	6,455.86	6,560.12	6,999.50

NOTE 20 - TRADE PAYABLES - CURRENT

For supplies and Services	2,759.22	2,920.01	2,969.16
Total	2,759.22	2,920.01	2,969.16
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 and relied upon by the Auditors.			

Notes to the Financial Statements for the Year ended 31st March, 2018.

NOTE 21 - OTHER FINANCIAL LIABILITIES - CURRENT

Particulars	As At 31.03.2018	As At 31.03.2017	As At 31.03.2016
Current maturities of long term borrowings			
State Bank of Hyderabad -Term loan - 1	44.69	180.00	180.00
Punjab National Bank -Term loan - 1	28.49	28.49	28.50
Punjab National Bank -Term loan - 2	430.00	-	-
State Bank of India -Term loan - 2	120.00	100.00	100.00
Non Convertible Debentures from IFCI	-	374.03	703.45
Vehicle hire purchase loans	26.26	21.40	4.22
Mahindra & Mahindra Finance Ltd	419.59	518.93	440.51
Electronica Finance Ltd	84.56	76.27	58.02
Total	1,153.59	1,299.12	1,514.70

NOTE 22 - OTHER CURRENT LIABILITIES

Interest accrued and due on borrowings	173.38	243.73	106.69
Unpaid dividend	1.01	1.01	1.01
Other payables-Statutory	110.73	243.69	142.03
Other payables	435.90	583.90	562.17
Advances received against sales	781.66	902.53	683.04
Total	1,502.68	1,974.86	1,494.94

(a) Interest accrued and due on borrowings has been debited by the bank on 1st April 2017.

NOTE 23 - PROVISIONS - CURRENT

(a) Provisions for employee benefits			
Salary & Reimbursements	155.88	379.23	340.68
Bonus Payable	53.04	50.37	41.75
Total	208.92	429.60	382.43

Notes to the Financial Statements for the Year ended 31st March, 2018.

NOTE 24 -REVENUE FROM OPERATIONS

Rs. In Lakhs

Particulars	Current period 31.03.2018		Previous year 31.03.2017	
Sale of Machines -Domestic	12,692.16		9,391.21	
Sale of Machines -Export	334.73		-	
Sale of Connecting Rods	2,314.46		1,256.67	
Sale of Spares	358.48		217.19	
Job work charges	4,993.16		5,150.60	
Scrap Sales	146.37		119.86	
	20,839.36		16,135.53	
Less : GST/Excise duty	3,344.88		2,957.71	
Total	17,494.48		13,177.82	
Detail of sales	2017-18		2016-17	
	Qty	Value	Qty	Value
Special Purpose Machines	10	899.70	30	1,354.30
General Purpose Machines (ind)	556	11,792.46	444	8,036.91
GPM Machines exports	15	334.73	-	0.00
Sale of Connecting Rods		2,314.46		1,256.67
Jobwork charges		4,993.16		5,150.60
Spares & Scrap		504.85		337.05
	581	20,839.36	474	16,135.53

NOTE 25 - OTHER INCOME

Interest Income	14.93	12.03
On Margin money deposits		
Other Non-operating income		
Gain on sale of assets	29.71	7.75
Exchange variance	14.80	10.57
Miscellaneous Income	24.61	4.83
Total	84.05	35.18

NOTE 26 - COST OF MATERIAL CONSUMED

Inventory at the beginning of the year	1,722.39		1,630.32	
Add: Purchase of Materials	9,316.37		6,910.67	
	11,038.76		8,540.99	
Less: Inventory at the end of the year	1,720.79		1,722.39	
Total	9,317.97		6,818.60	
Value of imported and Indigenous Material consumed				
Detail of sales	2017-18		2016-17	
	Value	%	Value	%
Imported at landed cost	825.39	8.86	626.73	9.19
Indigenously obtained	8,492.58	91.14	6,191.87	90.81
	9,317.97	100.00	6,818.60	100.00
The details of Material Consumed are not given as they consist of various types, which are not practicable to give.				

Notes to the Financial Statements for the Year ended 31st March, 2018.

NOTE 27 - CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS

Rs. In Lakhs

Particulars	Current period 31.03.2018	Previous year 31.03.2017
Inventory at the beginning of the year		
Finished Goods	534.53	526.91
Work-in-Progress	7,296.41	6,902.35
Scrap	11.27	10.26
	7,842.21	7,439.52
Inventory at the end of the year		
Finished Goods	531.93	534.53
Work-in-Progress	7,313.14	7,296.41
Scrap	10.84	11.28
	7,855.91	7,842.22
Total	(13.70)	(402.70)

NOTE 28 - OTHER MANUFACTURING EXPENSES

Consumable Stores	114.53	116.93
Job works (processing charges)	405.42	323.29
Packing material	140.71	116.06
Freight and cartage	207.19	180.65
Power and fuel	702.79	607.60
Testing charges	12.49	31.30
Repairs and Maintenance - Plant and Machinery	128.35	76.03
Total	1,711.48	1,451.86

NOTE 29 - EMPLOYEE BENEFITS EXPENSES

Salaries, Wages and Bonus	2,845.43	2,584.06
Contribution to PF,ESI and Other Funds	110.27	105.74
Staff Welfare expenses	91.32	93.10
Total	3,047.02	2,782.90
Employee benefits expenses include managerial remuneration as detailed below:		
Salary	177.00	177.00
Provident Fund	0.86	0.86
Sitting fees	1.15	1.30
	179.01	179.16

Notes to the Financial Statements for the Year ended 31st March, 2018.

NOTE 30 - FINANCE COSTS

Rs. In Lakhs

Particulars	Current period 31.03.2018	Previous year 31.03.2017
Interest expenses	1,314.52	1,586.83
Bank charges	94.36	79.29
Total	1,408.88	1,666.12

NOTE 31 - DEPRECIATION AMORTISATION EXPENSES

On Property, Plant and Equipment	815.91	815.72
On intangible Assets	1.37	2.39
Total	817.28	818.11

NOTE 32 - OTHER EXPENSES

Rent	2.27	8.49
Rates and Taxes	26.87	34.11
Insurance	21.22	20.14
Travelling and Conveyance	212.49	197.74
Printing and Stationery	34.13	35.75
Postage and Telephones	19.87	25.46
Vehicles Maintenance	39.78	42.11
Directors Sitting Fee	1.15	1.30
Sales Commission	77.83	88.47
Professional Charges	60.24	69.28
Auditor's Remuneration :		
- As Auditors	5.00	5.00
Business Promotion Expenses	13.30	11.83
Advertisement	3.53	1.30
Donations	2.58	0.83
Miscellaneous Expenses	72.43	74.99
Security Charges	41.55	31.44
Exhibition expenses	110.56	31.28
Excise duty relating to Finished Goods	-	0.85
Service charges	181.82	173.02
Exchange variance	0.46	0.82
Total	927.08	854.21

NOTE 33 - EARNINGS PER EQUITY SHARE:

a Profit for the year (before other comprehensive income/expenses)	470.47	211.03
b Weighted average number of equity shares of Rs. 10/- each		
Basic	172.49	161.29
Effect of Conversion option	-	3.45
Diluted	172.49	164.74
c Earning per share		
Basic	2.73	1.31
Diluted	2.73	1.28

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2018**1. CORPORATE INFORMATION:**

Lokesh Machines Limited ("the Company") was incorporated on December 17th, 1983 under the Companies Act, 1956. The Company is listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). At present the Company is engaged in the business of manufacture of Special Purpose Machines (SPM), General Purpose Machines/CNC Lathes (GPM), Connecting Rods and machining of Cylinder Blocks and Heads.

These Financial Statements were approved by the Board of Directors and authorized for issue on May 16th, 2018.

2. BASIS OF PREPARATION:

These are the first Financial Statements prepared by the Company complying in all material respects with the notified Accounting Standards under the Companies (Indian Accounting Standards) Rules, 2015 as amended by the Companies (Indian Accounting Standards) (Amendment) Rules, 2016 and the relevant provisions of the Companies Act, 2013 and in accordance with the generally accepted accounting principles in India.

The Company has consistently applied the accounting policies used in the preparation of opening balance sheet as at April 01, 2016 throughout all periods presented in these financial statements, as if these policies had always been in effect and are covered by Ind AS 101 "First-time adoption of Indian Accounting Standards". The transition was carried out from accounting principles generally accepted in India ("Previous GAAP") as defined in Ind AS 101. The reconciliation of effects of the transition as required by Ind AS 101 is disclosed in **Note No. 42** to these financial statements.

The financial statements have been prepared on a historical cost basis, except for financial instruments which have been measured at fair value at the end of each reporting period, as explained in the accounting policies mentioned below.

3. SIGNIFICANT ACCOUNTING POLICIES:**a) Critical Accounting Estimates and Judgments**

The preparation of Company's financial statements requires management to make accounting estimates, assumptions and judgments that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures of contingencies at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affected in future periods.

The areas involving critical estimates or judgments are –

- Useful lives of property plant and equipment and intangible assets
- Measurement of defined benefit obligation.
- Estimation of impairment
- Estimation of Provision and Contingent liabilities
- Recognition of deferred taxes

b) Current Vs Non-current classification:

The Company presents assets and liabilities in the balance sheet based on current / non-current classification.

An asset is treated as current when it satisfies the below mentioned criteria:

- i. Expected to be realized or intended to be sold or consumed in normal operating cycle;

- ii. Expected to be realized within twelve months after the reporting period, or
- iii. Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non- current assets.

A liability is classified as current when it satisfies the below mentioned criteria:

- i. Expected to settle the liability in normal operating cycle;
- ii. Due to be settled within twelve months after the reporting period, or
- iii. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non- current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realization in cash and cash equivalents.

c) Property, Plant and Equipment:

Property, plant and equipment are stated at cost net of input tax credits, less accumulated depreciation and accumulated impairment losses, if any. Cost comprises the purchase price and all attributable cost, to bring the asset to its working condition for its intended use. Borrowing costs relating to acquisition of property, plant and equipment which take substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to put to use.

The Company adopted cost model as its accounting policy, in recognition of the property, plant and equipment and recognizes transaction value as the cost.

Capital work in progress includes cost of property, plant and equipment under installation/under development as at the balance sheet date.

An item of Property, Plant and Equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the Statement of Profit and Loss. Property, Plant and Equipment which are found to be not usable or retired from active use or when no further benefits are expected from their use are removed from property, plant and equipment and the carrying amount net of scrap value, if any is charged to Statement of Profit and Loss.

The improvements/modifications carried on the lease hold land/property are recognized as lease hold improvements and are written off over the primary lease period or the life of such improvement whichever is lower.

Estimated useful lives of the assets are as follows:

Type of the Asset	Method of Depreciation	Useful life considered(years)
Building-Factory	SLM	30
Plant and Machinery	SLM	15
Furniture and Fixtures	WDV	10
Vehicles	WDV	8
Office Equipment	WDV	10
Miscellaneous Equipment	WDV	15

d) Intangible Assets:**Computer software:**

Computer software is recognized at cost and is amortized over the useful life as estimated by the Management which is about 3 years for all of the intangible computer software assets.

e) Impairment of non-financial assets:

- i. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use.
- ii. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset do no longer exist or have decreased.

f) Leases:

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys the right to use the asset(s), even if that right is not explicitly specified in an arrangement.

Classification on inception of lease:**i. Operating lease:**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases.

ii. Finance Lease:

A lease is classified as a finance lease where the lessor transfers substantially all the risks and rewards incidental to the ownership of the leased item.

Accounting of Operating leases:**Where the Company is the lessee:**

Lease payments in case of operating leases are charged to profit and loss statement on straight line basis over the lease term. In case the escalation in operating lease payments are in line with the expected general inflation rate then the lease payments are charged to statement of profit and loss instead of straight line method.

g) Inventories:

Raw materials, stores and spares, work in progress and finished goods are stated at the lower of cost and net realizable value. Costs are assigned to individual items of inventory and are determined based on first in first out basis (FIFO).

Cost of raw materials comprises cost of purchases and includes all other costs incurred in bringing the inventories to their present location and condition. Cost of work-in-progress and finished goods comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Spare parts, stand-by equipment and servicing equipment are recognized in accordance with this Ind AS-16 when they meet the definition of Property, Plant and Equipment. Otherwise, such items are classified as inventory. Spare parts, stand-by equipment and servicing equipment are stated at the lower of cost or net realizable value.

h) Revenue recognition:

Revenue is measured at the fair value of consideration received or receivable and is recognized to the extent that it is probable that the economic benefits will flow to the Company. Specifically, the following basis is adopted for various sources of income:

Sale of goods:

Revenue is recognized when the significant risks and rewards of ownership of goods have passed to the buyer, which generally coincides with delivery. Amounts disclosed as revenue are exclusive of excise duty and net of returns, trade allowances, rebates, and value added taxes. Revenue from export sales is recognized on the date of bill of lading, based on the terms of export.

i) Other income**Interest income:**

Interest income primarily comprises of interest on Margin money deposits with the banks, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of financial asset.

j) Foreign currency transactions:**i. Functional and Reporting Currency:**

The Company's functional and reporting currency is Indian National Rupee.

ii. Initial Recognition:

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amounts the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

iii. Conversion on reporting date:

Foreign currency monetary items are reported using the closing rate. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

iv. Exchange Differences:

Exchange difference arising on the settlement of monetary items or on reporting monetary items of Company at rates different from those at which they were initially recorded during the year or reported in previous financial statements are recognized as income or as expenses in the year in which they arise.

k) Retirement and other employee benefits:

i. Employer's contribution to Provident Fund/Employee State Insurance which is in the nature of defined contribution scheme is expensed off when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the fund.

ii. Gratuity liability is in the nature of defined benefit obligation. Such liability is provided based on independent actuarial valuation on projected unit credit method made at the end of each financial year as per the requirements of Ind AS 19 "Employee Benefits". Actuarial gain/ (loss) in the valuation are recognized as other comprehensive income for the period.

iii. Compensated absences which are in the nature of defined benefit obligation are provided for based on estimates of independent actuarial valuation on projected unit credit method made at the end of each financial year as per the requirements of Ind AS 19 "Employee Benefits".

l) Borrowing Costs:

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

m) Segment Reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Management.

n) Dividends:

Annual dividend distribution to the shareholders is recognized as a liability in the period in which the dividend is approved by the shareholders. Any interim dividend paid is recognized on approval by Board of Directors. Dividend payable and corresponding tax on dividend distribution is recognized directly in equity.

o) Earnings per Share:

Basic earnings per share are calculated by dividing the profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period, net off treasury shares. For the purpose of calculating diluted earnings per share, the profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

p) Provisions:

Provisions are recognized when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provisions are reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provisions due to the passage of time is recognized as a finance cost.

q) Contingencies:

Where it is not probable that an inflow or an outflow of economic resources will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognized in the statement of balance sheet and is disclosed as a contingent asset or contingent liability. Possible outcomes on obligations/rights, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities.

r) Taxes on Income:

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the respective laws of the state. Current tax includes taxes to be paid on the profit earned during the year and for the prior periods.

Deferred income taxes are provided based on the balance sheet approach considering the temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain that sufficient future taxable income will be available.

s) Prior period items:

In case prior period adjustments are material in nature the Company prepares the restated financial statement as required under Ind AS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors". Immaterial items pertaining to prior periods are shown under respective items in the Statement of Profit and Loss.

t) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and at bank, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash which are subject to an insignificant risk of changes in value and are held for meeting short-term cash commitments.

For the Statement of Cash Flows, cash and cash equivalents consists of short term deposits, as defined above, net of outstanding bank overdraft as they are being considered as integral part of the Company's cash management.

u) Financial Instrument:

A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

a. Financial Asset:

Initial recognition and measurement

All financial instruments are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit & loss account transaction costs that are attributable to the acquisition of the financial asset, purchase or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place are recognized on the trade date i.e. the date that the company commits to purchase or sell the asset.

Subsequent Measurement

For the purpose of subsequent measurement financial assets are classified as measured at:

- 1) Amortized Cost
- 2) Fair value through profit and loss (FVTPL)
- 3) Fair value through other comprehensive income (FVTOCI)

Financial Asset measured at amortized cost

Financial Assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified

dates to cashflows that are solely payments of principal and interest on the principal amount outstanding are measured at amortized cost using effective interest rate (EIR) method. The EIR amortization is recognized as finance income in the statement of Profit & Loss.

The company while applying above criteria has classified all the financial assets (except investments in equity shares) at amortized cost.

Financial Assets Measured at fair value through other comprehensive income

Financial assets that are held within a business model whose objective is achieved by both, selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, are subsequently measured at fair value through other comprehensive income. Fair value movements are recognized in the other comprehensive income (OCI). Interest income measured using the EIR method and impairment losses, if any are recognized in the Statement of Profit and Loss. On derecognition, cumulative gain or loss previously recognized in OCI is reclassified from the equity to other income' in the Statement of Profit and Loss.

Financial Assets at fair value through profit or loss (FVTPL)

Financial Asset is measured at fair value through Profit & Loss if it does not meet the criteria for classification as measured at amortized cost or at FVTOCI. All fair value changes are recognized in the statement of profit & loss.

De-recognition of Financial Assets

The Company derecognizes a financial asset when the contractual rights to the cashflows from the financial asset expire, or it transfers the contractual rights to receive the cash flows from the asset.

Impairment of Financial Assets

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the debt instruments, that are measured at amortized cost e.g., loans, debt securities, deposits, trade receivables and bank balance.

Expected credit loss is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive.

The management uses a provision matrix to determine the impairment loss on the portfolio of trade and other receivables. Provision matrix is based on its historically observed expected credit loss rates over the expected life of the trade receivables and is adjusted for forward looking estimates.

Expected credit loss allowance or reversal recognized during the period is recognized as income or expense, as the case may be, in the statement of profit and loss. In case of balance sheet, it is shown as reduction from the specific financial asset.

b. Financial Liabilities.

Initial recognition and measurement

Financial liabilities are recognized initially at fair value plus any transaction cost that are attributable to the acquisition of the financial liability except financial liabilities at FVTPL that are measured at fair value.

Subsequent Measurement

Financial liabilities are subsequently measured at amortized cost using the EIR method. Financial liabilities carried at fair value through profit or losses are measured at fair value with all changes in fair value recognized in the Statement of Profit and Loss.

Financial Liabilities at amortized cost

Amortized cost for financial liabilities represents amount at which financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount.

All the financial liabilities of the company are subsequently measured at amortized cost using Effective Interest method.

De recognition of Financial Liabilities

A financial liability shall be derecognized when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

v) Offsetting.

Financial assets and financial liabilities are off set and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.1. Standards issued, but not yet effective:

The standards issued, but not effective up to the date of issuance of the company's financial statements are disclosed below.

Ind AS 115, Revenue from Contract with Customers:

On March 28th, 2018, Ministry of Corporate Affairs has notified the Ind AS 115, Revenue from Contract with Customers. The core principal of the new standard is that revenue should be recognized when a customer obtains control of a promised good or service and thus has the ability to direct the use and obtain the benefits from the good or service in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Further, the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cashflows arising from the entity's contracts with customers.

The Company will adopt the standard from April 1, 2018 and the management is in the process of determining the effect on adoption of Ind AS 115.

Ind AS 21, foreign currency transactions and advance consideration

On March 28, 2018, MCA has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transactions for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. This amendment will come into force from April 1, 2018. The company has evaluated the effect of this on the financial statements and the impact is not material.

34) Fair Value Measurement:

The Company measures financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for such asset or liability, or in the absence of a principal market, in the most advantageous market which is accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted market prices) in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurements is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table provides the fair value measurement hierarchy of the company's assets and liabilities Quantitative disclosures of fair value measurement hierarchy as at March 31, 2018.

Particulars	As at			
	Fair value hierarchy Level	March 31, 2018	March 31, 2017	April 1, 2016
Financial Assets measured at FVTPL				
Investments in Equity instruments	2	150	150	150
Financial Liabilities measured at Amortized Cost				
Term loans	2	7,884.00	9,148.00	10,844.00

35. Contingent Liabilities:

Contingent Liabilities and commitments not provided for on account of:

Rs in Lakhs

S.No	Particulars	31.03.18	31.03.17	31.03.16
a	Letter of credit	750.91	461.50	696.05
b	Bank Guarantees	274.51	171.50	225.87
c	Contracts to be executed	150.00	250.00	200.00

36. Foreign Currency Exposure:

Foreign Currency Exposure on account of:

Rs in Lakhs

S.No	Particulars	31.03.18	31.03.17	31.03.16
a	Exports	334.74	-	398.04
b	Travel	30.05	6.34	8.90
c	Imports of stores & Components	541.62	595.06	498.99

37. Retirement Benefit Obligations:**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 Actuarial valuation of Gratuity.

The Company has created a Trust namely LML Employees Group Gratuity Trust vide Trust dated 01.03.1997 and obtained approvals from Income Tax Authorities vide letter No H.Qrs./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.

Figures in Rs. In lakhs

Particulars	As on 31.03.2018	As on 31.03.2017
a Table showing changes in present value of obligations		
Present value of obligations as at beginning of year	169.94	154.86
Interest cost	12.23	11.55
Current Service Cost	13.39	10.69
Benefits Paid	(11.90)	-
Actuarial gain / (Loss) on obligations	(3.61)	(7.16)
Present value of obligations as at end of year	180.05	169.94
b Table showing changes in the fair value of plan assets		
Fair value of plan assets at beginning of year	3.37	3.11
Expected return on plan assets	1.63	0.26
Contributions	46.00	-
Benefits Paid	(11.90)	-
Actuarial gain / (Loss) on Plan assets	(0.66)	-
Fair value of plan assets at the end of year	38.44	3.37
c Table showing fair value of plan assets		
Fair value of plan assets at beginning of year	3.37	3.11
Actual return on plan assets	1.63	0.26
Contributions	46.00	-
Benefits Paid	(11.90)	-
Actuarial gain / (Loss) on Plan assets	(0.66)	-
Fair value of plan assets at the end of year	38.44	3.37
Funded status	(13.39)	(10.69)

Excess of Actual over estimated return on plan assets (Actual rate of return = Estimated rate of return as ARD falls on 31st March)	Nil	Nil
d Assumptions:		
Discount Rate	8.00%	7.46%
Salary Escalation	4.00%	4.00%

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.

Figures in Rs. In Lakhs

Particulars	31.03.2018	31.03.2017
Profit & Loss Account		
Current Service cost	11.07	1.49
Interest Cost on benefit obligation	8.48	8.11
Expected return on plan assets		
Net Actuarial (gain) / Loss recognised in the year	(33.97)	(4.59)
Past service cost		
Net Benefit expense	(14.42)	5.01

Figures in Rs. In Lakhs

Particulars	31.03.2018	31.03.2017
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	113.68	108.67
Interest Cost	8.48	8.11
Current Service cost	11.07	1.49
Benefits Paid		--
Actuarial (gains) / losses on obligation	(33.97)	(4.59)
Closing defined benefit obligation	99.26	113.68
The principal assumptions used in determining leave and post employment medical benefit Obligations for the Company's plans are shown below:		
Assumptions	%	%
Salary Rise	4.00	4.00
Discount rate	7.46	8.00
Attrition Rate	5.60	5.60

38. Related party transactions:

1. Transactions during the year

Rs in lakhs

Name of the party	Relation ship	Nature of transaction	31.03.18	31.03.17
M. Lokeswara Rao Managing Director	Key Management	Remuneration	60.00	60.00
B.Kishore Babu Executive Director	Key Management	Remuneration	39.00	39.00
M.Srinivas Director	Key Management	Remuneration	39.00	36.60
M.Srikrishna Director	Key Management	Remuneration	39.00	39.00
MLR Motors Ltd	Entity owned or significantly influenced by key Management personnel.	Refund of advance against purchase of Asset	(203.45)	(393.03)
MLR Auto Ltd	Entity owned or significantly influenced by key Management personnel.	Refund of advance against purchase of Asset	(101.00)	—

2. Payables as at 31.03.2018

Rs in lakhs

Name of the party	Relation ship	Nature of transaction	31.03.18	31.03.17
M. Lokeswara Rao Managing Director	Key Management	Remuneration	5.00	5.00
B.Kishore Babu Executive Director	Key Management	Remuneration	3.25	3.25
M.Srinivas Director	Key Management	Remuneration	3.25	3.25
M.Srikrishna Director	Key Management	Remuneration	3.25	3.25
C. Srirekha	D/o of M .Lokeswara rao	Purchase of asset	14.76	14.76
MLR Motors Ltd	Entity owned or significantly influenced by key Management personnel	Purchase of asset	(140.27)	63.17
		Sale of goods	245.79	245.79
MLR Auto Ltd	Entity owned or significantly influenced by key Management personnel.	Purchase of asset	690.83	791.83
		Sale of goods	69.08	69.08

39. Segment information:

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 Component 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 system.

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

Segment assets include all operating assets used by a segment and consist principally of debtors, inventories, advances and fixed assets, net of allowances.

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

Particulars	Machine Division	Components Division	Un allocated	Total
Revenue				
External sales	11,536.05 (8,690.96)	5,958.43 (4,486.86)	-	17,494.48 (13,177.82)
Intersegment sales	-	-	-	-
Total Revenue	11,536.05 (8,690.96)	5,958.43 (4,486.86)	-	17,494.48 (13,177.82)
Segment Results	2,328.64 (2,327.71)	635.06 (372.03)	-	2,963.70 (2,699.74)
Corporate Expenses (net)	-	-	2,248.20 (2,368.59)	2,248.20 (2,368.59)
Profit before tax	-	-	-	715.50 (231.15)
Segment Assets	19,157.63 (19,915.51)	8,822.20 (9,612.22)	-	27,979.83 (29,527.73)
Segment Liabilities	9,617.97 (11,230.59)	4,596.56 (5,419.55)	-	14,214.53 (16,650.14)
Capital expenditure	2431.53 (141.78)	822.62 (32.42)	-	3254.15 (174.20)
Segment depreciation	285.79 (267.77)	531.87 (550.72)	-	817.66 (818.49)

(Amounts in brackets represent previous year figures)

Secondary segment reporting is performed on the basis of geographical location of customers. The operations of the company are largely confined in India, with export contributing to approximately 1.91% of its annual net sales. The management views the Indian market and export market as distinct geographical segments.

40. Financial Risk Management

The Company's activities expose it to market risk, credit risk and liquidity risk. Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

I. Market Risk

Market risk is the risk of loss of the future earnings, fair values or future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates, commodity prices and other market changes that affect market risk sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including investments and deposits, foreign currency receivables, payables and borrowings.

- a. **Foreign Currency Risk** - Foreign Currency Risk is the risk of impact related to fair value or future cash flows of an exposure in foreign currency, which fluctuate due to change in foreign currency rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to impact of raw materials and spare parts, capital expenditure and export of Machines. The company does not enter into any derivative instruments for trading or speculative purposes and the impact foreign currency risk is negligible.
- b. **Interest Rate Risk** – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market rates relates primarily to the Company's short term borrowing. The Company constantly monitors the credit markets and rebalances its financing strategies to achieve an optimal maturity profile and financing cost. Since all the borrowings are on floating rate and constantly monitored, no significant risk of change in interest rate.

II. Credit Risk

Credit risk arises when a customer or counterparty does not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing/investing activities, including deposits with banks. The company has a prudent and conservative process for managing its credit risk arising in the course of its business activities. The Company is receiving payments regularly from its customers and hence the Company has no significant credit risk.

III. Liquidity Risk

Liquidity risk is defined as the risk that the company will not be able to settle or meet obligations on time or at reasonable price. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of credit facilities to meet obligations when due. The Company's treasury team is responsible for liquidity, funding as well as settlement management. In addition, processes and policies related to such risks are overseen by senior management. Management monitors the Company's liquidity position through rolling forecasts based on expected cash flows.

41. Capital Management

The Company's objectives when managing capital are to

- i) Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders.
- ii) Maintain an optimal capital structure to reduce the cost of capital

Consistent with others in the industry, the company monitors capital on the basis of the following gearing ratio:

Net debt (total borrowings net of cash and cash equivalents) divided by Total 'equity' (as shown in the balance sheet)

Gearing Ratio

Rs. In lakhs

Particulars	As at		
	March 31, 2018	March 31, 2017	April 01,2016
a) Debt Obligations	7883.53	9147.84	10843.53
b) Cash and Cash equivalents	308.32	228.59	258.61
c) Net Debt (a-b)	7575.21	8919.25	10584.92
(d) Total Equity	13765.30	12877.60	11124.30
Net Debt Equity Ratio (c/d)	0.55	0.69	0.95

42. First Time Adoption

These financial statements for the year ended 31st March 2018 are the company's first annual Ind AS complied financial statements. For all period up to and including the year ended 31st March 2017, the company prepared its financial statements in accordance with Accounting Standards notified under Section 133 of the Companies Act 2013, read together with Rule 7 of the Companies (Accounts) Rules, 2014 ('previous GAAP'). Detailed explanation on how the transition from previous GAAP to Ind AS has affected the Company's Balance Sheet, financial performance and Cash flows given as under

In preparing these Ind AS financial statements, the company has availed certain exemptions and exceptions in accordance with Ind AS 101 as explained below

1. Mandatory Exceptions from retrospective application Estimates**a. Estimates**

The estimates at 1st April 2016 and at 31st March,2017 are consistent with those made for the same dates in accordance with Indian GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items under Indian GAAP did not require estimation:

The estimates used by the Company to present these amounts in accordance with Ind AS reflect conditions as at 1st April,2016 and 31st March,2017

- i. Fair values of financial assets & financial Liabilities.
- ii. Impairment of financial assets based on expected credit loss model.
- iii. Discount rates

b. Classification and measurement of financial asset:

The classification of financial assets to be measured at amortized cost or fair value through Profit and loss or fair value through other comprehensive income is made on the basis of the facts and circumstances that existed on the date of transition to Ind AS.

2. Optional Exemptions from retrospective application

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has, accordingly, applied following exemption:

a. Deemed Cost

The Company has elected to consider carrying amount of all items of property, plant and equipments measured as per Indian GAAP as recognized in the financial statements as at the date of transition, as deemed cost at the date of transition. The effect of consequential changes arising on the application of other Ind AS has been adjusted to the deemed cost of Property, Plant & Equipment.

Transition to Ind AS - Reconciliations

The following reconciliations provide the explanations and quantification of the differences arising from the transition from Previous GAAP to Ind AS in accordance with Ind AS 101

1. Reconciliation of Equity as at 1st April, 2016 & at at 31st March 20117
2. Reconciliation of total comprehensive income for the year ended 31st March, 2017

Reconciliation between previous GAAP and Ind AS (As at 31st March 2017 and 1st April 2016)

PARTICULARS	As At 31st March 2017			As At 1st April 2016		
	Previous GAAP *	Impact of Ind AS	As per Ind AS	Previous GAAP	Impact of Ind AS	As per Ind AS
I ASSETS						
1. Non-Current Assets.						
a) Property, Plant and Equipment	8,920.10	(365.62)	8,554.48	9,838.83	(366.00)	9,472.83
b) Capital Work-in-Progress	4,108.13		4,108.13	2,913.46		2,913.46
c) Intangible assets	16.63		16.63	19.02		19.02
d) Financial Assets						0.00
(i) Investments	600.00	(450.00)	150.00	600.00	(450.00)	150.00
(ii) Loans and advances	856.72		856.72	1,249.75		1,249.75
(iii) Other Financial assets	913.43	330.97	1,244.40	991.04	334.76	1,325.80
Total Non-current assets	15,415.01	(484.65)	14,930.36	15,612.10	(481.24)	15,130.86
2 Current Assets			0.00			
a) Inventories	9,564.61		9,564.61	9,069.83		9,069.83
b) Financial Assets			0.00			0.00
(i) Trade Receivables	2,651.03		2,651.03	2,960.38		2,960.38
(ii) Cash and cash equivalents	228.59		228.59	258.61		258.61
(iii) Loans and advances	1,341.15		1,341.15	974.48		974.48
(iv) Other financial assets	796.06	3.78	799.84	851.29	3.78	855.07
Total Current assets	14,581.44	3.78	14,585.22	14,114.59	3.78	14,118.37
Total Assets	29,996.45	(480.87)	29,515.58	29,726.69	(477.46)	29,249.23
II EQUITY AND LIABILITIES						
1 Share holders' funds						
(a) Equity Share capital	1,703.28		1,703.28	1,471.07		1,471.07
(b) Other Equity	11,367.12	(468.72)	10,898.40	9,876.92	(369.57)	9,507.35
(c) Money received against share warrants	275.92		275.92	145.88		145.88
Total Equity	13,346.32	(468.72)	12,877.60	11,493.87	(369.57)	11,124.30
2 Non-Current liabilities						
(a) Financial borrowings	1,879.34	(2.91)	1,876.43	2,712.98	(4.97)	2,708.01
(b) Deferred tax liabilities (Net)	863.31	(9.24)	854.07	894.03	(7.44)	886.59
(c) Other Non-Current liabilities	440.15		440.15	901.76		901.76
(d) Provisions	283.62		283.62	267.84		267.84
Total Non-current liabilities	3,466.42	(12.15)	3,454.27	4,776.61	(12.41)	4,764.20

3 Current liabilities						
(a) Financial liabilities						
(i) Borrowings	6,560.12		6,560.12	6,999.50		6,999.50
(ii) Trade payables	2,920.01		2,920.01	2,969.16		2,969.16
(iii) Other Financial liabilities	1,299.12		1,299.12	1,514.70		1,514.70
(b) Other current liabilities	1,974.86		1,974.86	1,494.94		1,494.94
(c) Provisions	429.60		429.60	477.91	(95.48)	382.43
Total Current liabilities	13,183.71	0.00	13,183.71	13,456.21	(95.48)	13,360.73
Total Equity and liabilities	29,996.45	(480.87)	29,515.58	29,726.69	(477.46)	29,249.23

* The previous GAAP figures have been reclassified to confirm to Ind As presentation requirements for the purpose of this note.

Reconciliation of Statement of Profit & Loss for the year ended 31st March 2017.

Rs. In Lakhs

Particulars	Previous GAAP	Impact of Ind AS	As per Ind AS
I INCOME			
Revenue from Operations	13,177.82		13,177.82
Other Income	35.18		35.18
Total Income	13,213.00		13,213.00
II EXPENSES			
Cost of Material consumed	6,818.60		6,818.60
Changes in inventories of finished goods and work in progress	(402.70)		(402.70)
Other Manufacturing expenses	1,451.86		1,451.86
Employee benefits expense	2,775.74	7.16	2,782.90
Financial costs	1,664.06	2.06	1,666.12
Depreciation and amortization expenses	818.49	(0.38)	818.11
Other expenses	850.43	3.78	854.21
	13,976.48	12.62	13,989.10
Less : Captive consumption	1,107.25		1,107.25
Total Expenses	12,869.23	12.62	12,881.85
III Profit before taxes	343.77	(12.62)	331.15
IV Tax expenses			
- Income tax -Current	155.00		155.00
- Deferred Tax	(30.71)	4.17	(34.88)
	124.29	4.17	120.12
V Profit for the year after taxes	219.48	(8.45)	211.03
VI Other Comprehensive income			
i Items that will not be reclassified subsequently to profit or loss		7.16	7.16

ii	Income tax relating to items that will not be reclassified to profit or loss		(2.36)	(2.36)
			4.80	4.80
VII	Total Comprehensive Income for the year	219.48	(3.65)	215.83
VIII	Earning per equity share (Amount in Rs.)			
	Basic	1.29	0.03	1.32
	Diluted	1.23	0.03	1.26

Notes to reconciliation of balance sheet and Profit as previously reported under IGAAP to Ind-AS

i. Property, Plant & Equipment, Non-current Asset

Under the previous GAAP the transactions costs relating to origination of term loans raised specifically for acquisition of items of Property, Plant & Equipment were capitalized. Ind AS 109 requires transaction costs incurred towards origination of borrowings to be deducted from the proceeds of borrowings on initial recognition. These costs are treated as part of the interest expense by applying the effective interest method (EIR). Hence upfront fees capitalized under Previous GAAP is reversed and reduced from term loan.

II. Leasehold land:

Under Previous GAAP leasehold lands were recognized as assets under PPE. As per Ind AS 17, the company has treated leasehold lands as operating leases and premium paid is considered as pre-paid lease rentals.

III. Non-current investments:

As on the date of transition, the company decided to classify non-current investments as Financial Assets which are measured at fair value with gains or losses recognized in profit and loss (FVTPL). As per previous GAAP these are carried at cost. However, provision for permanent diminution in value is made to recognize any decline other than temporary in value of investments. As per Ind AS 109 all Equity Investments within the scope of Ind AS 109 are measured at Fair Value with the default recognition of gains and losses in Profit and Loss (FVTPL).

IV. Deferred tax

Under Previous GAAP, deferred taxes were recognized for the tax effect of timing differences between accounting profit and taxable profit for the year using the income statement approach. Under Ind AS, deferred taxes are recognized using the balance sheet approach for future tax consequences of temporary differences between the carrying value of assets and liabilities and their respective tax bases.

43. Previous Year's figures have been regrouped wherever necessary to correspond with the current year's figures. Except when otherwise stated, the figures are presented in Rupees in Lakhs.

As per our report of even date attached

for **K. S. RAO & CO.**

Chartered Accountants

Firm's Registration No. : 003109S

M. NAGA PRASADU

Partner

Membership No. 231388

Place: Hyderabad

Date: 16th May, 2018

For and on behalf of the Board

M. LOKESWARA RAO

Managing Director

B. KISHORE BABU

Executive Director

V. SUDHAKARA REDDY

Chief Financial Officer

MATRU PRASAD MISHRA

Company Secretary

LOKESH MACHINES LIMITED

B-29, EEIE, Stage-II, Balanagar, Hyderabad -500037, Telangana
CIN: L29219TG1983PLC004319

THIRTY FOUR ANNUAL GENERAL MEETING

Form No: MGT 11

PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies(Management and Administration) Rules, 2014]

Name of the Shareholder(s): _____

Registered Address:_____

E-mail ID: _____ Folio No./ClientID:_____

DPID: _____

I/We, being member(s) of Lokesh Machines Limited, holding _____ shares of the Company, hereby appoint:

1. Name:_____

Address:_____

E-mail ID:_____ Signature: _____

Or failing him/ her

2. Name:_____

Address:_____

E-mail ID:_____ Signature: _____

Or failing him/ her

3. Name:_____

Address:_____

E-mail ID:_____ Signature: _____

as my/ our proxy to attend and vote (on poll) for me/ us, on my/ our behalf at the 34th Annual General Meeting of the Company to be held on Saturday, September 29, 2018 at 03.00 p.m. at Jubilee Hills International Centre, Near Jubilee Hills Check Post, Road No. 14, Hyderabad -500 033 Telangana and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No	Resolution(s)	For	Against
	Ordinary Business		
1	To receive, consider and adopt the Audited Financial Statements of the Company for the financial Year ended March 31, 2018 together with the Report of the Board of Directors' and the Auditors' thereon.		
2	To appoint a Director in place of Mr K. Krshna Swamy who retires by rotation and being eligible, seeks re-appointment		
	Special Business		
3	Re-appointment of Mr. M. Lokeswara Rao as Managing Director:		
4.	Re-appointment of Mr. B. Kishore Babu as a Whole time Director		
5.	Re-appointment of Mr. M. Srinivas as Whole time Director		
6.	Re-appointment of Mr. M. Srikrishna as a Whole time Director		
7.	Approval for Continuation of Current term of Mr. R. Mohan Reddy as Non-Executive Independent Director of the Company		
8.	Approval for Continuation of Mr. K. Krishna Swamy as Non-Executive Director of the Company		
9.	Ratification of Remuneration of Cost-Auditors		

Signed this _____ day of _____ 2018.

Signature of member _____ Signature of proxy holder: _____

Affix Re.1/- Revenue Stamp

Note:

- The Proxy Form in order to be effective should be duly filled in and signed by the Member(s) across the revenue stamp should reach the Company's Registered Office: B-29, EEIE, Stage-II, Balanagar, Hyderabad -500037, Telangana, at least 48 hours before the commencement of the meeting.
- Proxy need not be a member of the Company.
- Corporate members intending to send their authorized representative(s) to attend the meeting are requested to send a certified copy of the Board resolution authorizing their representative(s) to attend and vote on their behalf at the meeting.

LOKESH MACHINES LIMITED

B-29, EEIE, Stage-II, Balanagar, Hyderabad -500037, Telangana
CIN: L29219TG1983PLC004319

THIRTY FOUR ANNUAL GENERAL MEETING

ATTENDANCE SLIP

Member's Reg. Folio No. _____

Client ID: _____

DP ID: _____

No. of Shares held : _____

Name and Address of Member _____

I hereby record my presence at the 34th Annual General Meeting held at 3.00 P.M on Saturday on September 29, 2018 at Jubilee Hills International Centre, Near Jubilee Hills Check P41 ost, Road No. 14, Hyderabad -500 033.

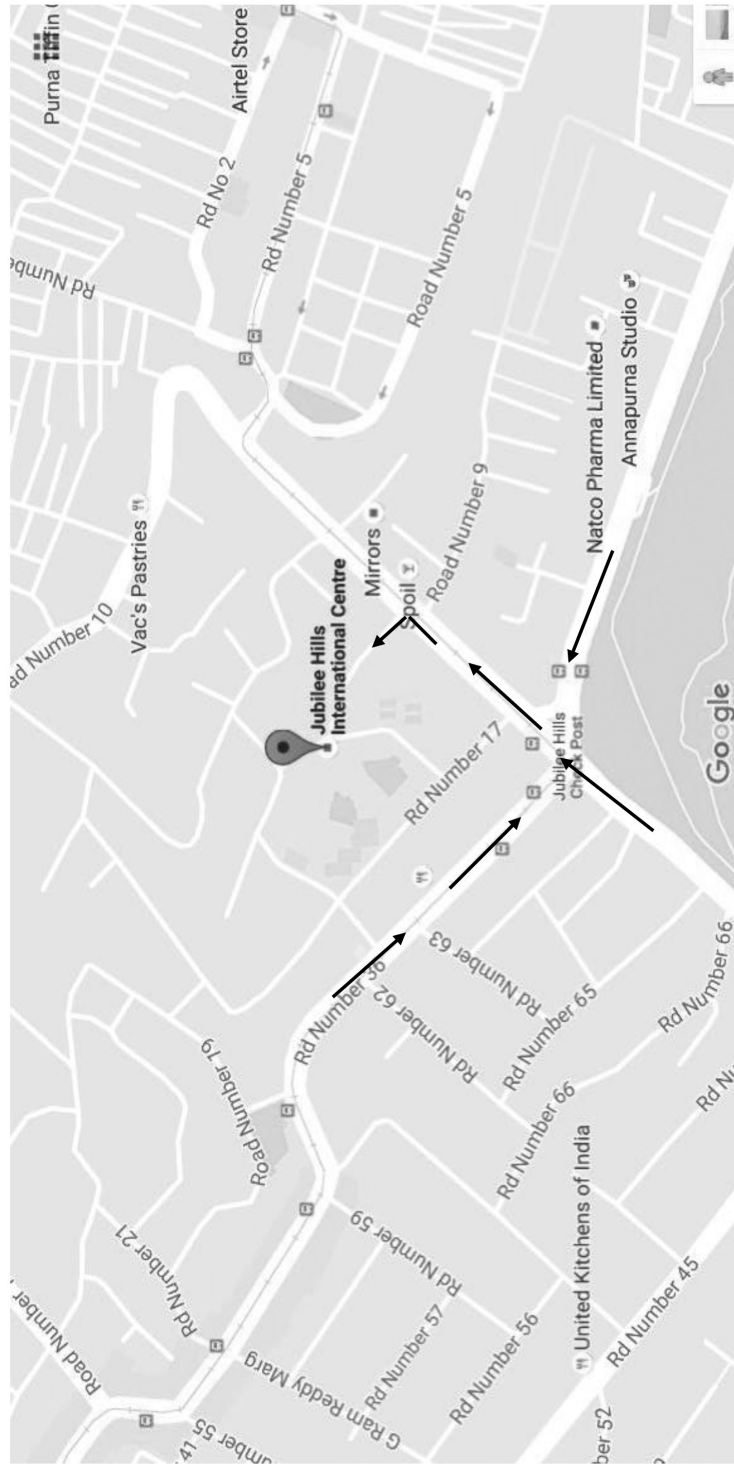
Signature of the shareholder / proxy

Notes:

1. Shareholder/Proxy intending to attend the meeting must bring the duly signed Attendance Slip to the Meeting and handover at the entrance
2. Shareholder/Proxy should bring his/her copy of the Annual Report.

ROUTE MAP FOR THE 34th ANNUAL GENERAL MEETING-29/09/2018

Address:- Jubilee Hills International Centre,
Road No. 14, Jubilee Hills, Hyderabad, Telangana-500 033



PRINTED MATTER

If undelivered, please return to:

LOKESH MACHINES LIMITED

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

Hyderabad - 500 037, Telangana

CIN : L29219TG1983PLC004319