



**Lokesh  
Machines Limited**



**Regd. Office :**

**B-29, EEIE Stage II, Balanagar,  
Hyderabad - 500 037. T.S. INDIA.**

**Phones : +91-40-23079310, 11, 12, 13**

**Fax : +91-40-23078274**

**e-mail : info@lokeshmachines.com**

**URL : www.lokeshmachines.com**

**CIN : L29219TG1983PLC004319**

Date: 03/09/2020

To,  
Bombay Stock Exchange Limited  
Department of Corporate Services  
Floor 25, PJ Towers,  
Dalal Street  
Mumbai- 400001  
Scrip Code: 532740

To,  
National Stock Exchange of India  
Limited  
Listing Department  
Plot No. C/1, G Block, Exchange Plaza,  
Bandra Kurla Complex,  
Bandra(E), Mumbai- 400051  
Company Code: LOKESHMACH

Dear Sir/Madam,

**Sub: Submission of Annual Report for the FY 2019-20 under Regulation 34 of the Securities & Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

Pursuant to Regulation 34 of the Securities & Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 we are enclosing the Annual Report for the FY 2019-20 of the Company.

This is for your information and record.

Thanking You,

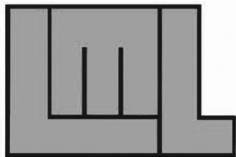
For Lokesh Machines Limited

*Matru Prasad Mishra*

**Matru Prasad Mishra**  
Company Secretary & Compliance Officer



**ANNUAL REPORT  
2019-2020**



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**Lokesh  
Machines Limited**

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## BOARD OF DIRECTORS

Mr. M Lokeswara Rao	- Managing Director
Mr. B Kishore Babu	- Whole Time 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. D. Balaji	- Director
Ms. M. Likhitha	- Director( Appointed w.e.f 18th Jun, 2020)
Mr. A.Vijay Kumar	- Director (Resigned w.e.f 28th Feb, 2020)
Mrs. Bhavana Rao	- Director (Resigned w.e.f 29th Nov, 2019)

### 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. B R Mahesh	- Member
Mr. D. Balaji	- 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

#### BANKERS

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

KFin Technologies Pvt. Ltd.  
Kary Selenium Tower B,  
Plot No.31-32, Gachibowli  
Financial District, Nanakramaguda,  
Serilingampally,  
Hyderabad - 500032  
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 D-260/1 Ranjangaon Industrial Area, MIDC, Shirur, Pune, Maharashtra
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**NOTICE**

NOTICE is hereby given that the Thirty Sixth Annual General Meeting of the Members of Lokesh Machines Limited will be held on Monday, 28th day of September, 2020 at 11.00 A.M. through Video Conferencing (“VC”) /Other Audio Visual Means (“OAVM”) 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, 2020 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. **Regularisation of Appointment of Ms. M. Likhitha (DIN:08765043) as a Non-Executive (Non-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 Section 149, 161 and 164(2) of the Companies Act, 2013 and read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and as per Regulation 17(1)(a) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended and other applicable provisions and rules, if any, of the Companies Act, 2013 or any other law for the time being in force along with the provisions of Article of Association of the Company, Ms. Mullapudi Likhitha (DIN:08765043) who was appointed as an additional director (Non- Executive, Non-Independent Director) of the Company w.e.f 18/06/2020 and who holds office upto the date of this Annual General Meeting and whose appointment has been recommended by Nomination and Remuneration Committee be and is hereby appointed as Non-Executive (Non-Independent) Director of the Company, who shall be liable to retire by rotation.”

“**RESOLVED FURTHER THAT** Ms. Mullapudi Likhitha (DIN: 08765043) be and is hereby to be considered as Woman Director in terms of the provision of The Companies Act 2013 and pursuant to Regulation 17(1)(a) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.”

4. **Approval for Continuation of Mr. K. Krishna Swamy (DIN: 00840887) 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, approval 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.”

5. **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, 2020.”

By Order of the Board  
**For LOKESH MACHINES LIMITED**

Place: Hyderabad  
Date: September 02, 2020

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

Sd/-  
**Matru Prasad Mishra**  
Company Secretary

**NOTES:**

- 1) An Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 Special Business i.e. item 3 to 5, 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 there under.
- 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) In view of the massive outbreak of the COVID-19 pandemic, social distancing is a norm to be followed and Pursuant to the Circular No. 14/2020 dated 8th April 2020, Circular No.17/2020 dated 13th April 2020 and Circular No. 20/2020 dated 5th May 2020 issued by the Ministry of Corporate Affairs (“MCA”) and Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May 2020 issued by the Securities and Exchange Board of India (“SEBI”) and in compliance with the provisions of the Companies Act, 2013 (“the Act”) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), physical attendance of the Members at the AGM venue is not required and AGM can be held through video conferencing (“VC”) or other audio visual means (“OAVM”). Hence, Members can attend and participate at the ensuing AGM through VC/OAVM.
- 4) Pursuant to the aforesaid Circulars, the facility to appoint proxy by Members under Section 105 of the Act to attend and cast vote for the Members is not available for this AGM as the physical attendance of Members has been dispensed with. However, Body Corporates are entitled to appoint authorized representatives as its Member to attend the AGM through VC/OAVM and participate there at and cast their votes through e-Voting.
- 5) Participation of members through VC/OAVM will be reckoned for the purpose of quorum for the AGM as per Section 103 of the Act.
- 6) The Members can join the AGM through the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the AGM by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available to the members on “First come First served” basis. This will not include large Shareholders (Shareholders holding 2% or more of the total number of shares of the Company as on the cut-off date as defined), Promoters, Directors, Key Managerial Personnel, Institutional Investors, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders’ Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of “first come first served” basis.
- 7) Pursuant to the provisions of Section 108 of the Act read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of Listing Regulations (as amended), and the Circulars issued by MCA dated 8th April 2020, 13th April 2020 and 5th May 2020 the Company is providing facility of remote e-Voting to its Members in respect of the businesses to be transacted at the AGM. For this purpose, the Company has entered into an agreement with National Securities Depository Limited (NSDL) for facilitating voting through electronic means, as the authorized agency. The facility of casting votes by a member using remote e-Voting system as well as voting at the meeting will be provided by NSDL.
- 8) In line with MCA Circular No. 17/2020 dated 13th April 2020, the Notice calling the AGM has been uploaded on the website of the Company [www.lokeshmachines.com](http://www.lokeshmachines.com). The Notice can also be accessed from the websites of the Stock Exchanges i.e., BSE Limited and National Stock Exchange of India Limited at [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com) respectively and the AGM Notice is also available on the website of NSDL (agency for providing Remote e-Voting facility) i.e., [www.evoting.nsdl.com](http://www.evoting.nsdl.com).

- 9) In line with MCA Circular No. 17/2020 dated 13th April 2020, the Notice calling the AGM has been uploaded on the website of the Company at [www.lokeshmachines.com](http://www.lokeshmachines.com). The Notice can also be accessed from the websites of the Stock Exchanges i.e., BSE Limited and National Stock Exchange of India Limited at [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com) respectively and the AGM
- 10) AGM has been convened through VC/OAVM in compliance with applicable provisions of the Act read with Circulars issued by MCA and SEBI in this regard.
- 11) 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.
- 12) 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.
- 13) 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.
- 14) Pursuant to the provisions of Section 124 read with Section 125 of the Companies Act, 2013(including any statutory modification(s) or re-enactment thereof for the time being in force) the amount of dividend remaining unpaid for a period of seven years from the due date is required to be transferred to the Investor Education and Protection Fund (IEPF) constituted by the Central Government. Members who have not encashed their dividend are requested to contact the RTA of the Company in this regard. The amount so transferred to IEPF cannot be claimed from the Company. Shares on which dividend remain unclaimed for seven consecutive years will be transferred to IEPF as per Section 124 of the Companies Act, 2013 and the applicable Rules. The Company is providing/ hosting the required details of unclaimed amount/ shares referred to under Section 124 of the Act on its website [www.lokeshmachines.com](http://www.lokeshmachines.com).The said details have also been uploaded on the website of IEPF Authority and the same can be accessed through the link: [www.iepf.gov.in](http://www.iepf.gov.in). Members may note that shares as well as unclaimed dividends transferred to IEPF Authority can be claimed back from them. The concerned members/investors are advised to visit the web link: <http://iepf.gov.in/iepfa/refund.html> or contact our RTA M/s Kfin Technology Private Limited for lodging claim for refund of shares and /or dividend from the IEPF Authority.
- 15) 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 22nd September, 2020 to 28th September, 2020 (both days inclusive).
- 16) 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.
- 17) 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.
- 18) Members are requested to update their preferred e-mail ids with the Depository Participants / Company's Registrar and Transfer Agents, which will be used for the purpose of sending the of?cial documents through e-mail in future. The RTA address is given below:  
**M/s. KFin Technology Private Limited,**  
Karvy Selenium Tower B, Plot No.31-32,  
Gachibowli , Financial District,  
Nanakramguda Serilingampally,  
Hyderabad - 500 032,  
Phone : +91 40 67161524.
- 19) 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 in case of declaration of dividend.



- 20) Pursuant to SEBI notification dated 8th June, 2018, transfer of shares in physical mode is prohibited and mandates holding in Demat mode except in case of transmission or transposition. Accordingly members are requested convert physical holding to demat through depository participant. Members may contact Company via mail to Cosecy@lokeshmachines.com or its RTA for any assistance in the process of physical to demat shares.
- 21) Members holding shares in physical form, in their own interest, are requested to dematerialize the shares to avail the benefits of electronic holding / trading.
- 22) The SEBI has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.
- 23) 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 Exchanges.
- 24) Electronic copy of the Annual Report and the Notice of the AGM inter-alia indicating the process and manner of e-Voting are being sent to all the Members whose e-mail IDs are registered with the Company / DPs for communication purposes.
- 25) Members may also note that the Notice of the 36th Annual General Meeting and the Annual Report for 2019-20 will also be available on the Company's website www.lokeshmachines.com for their download, the website of the Stock Exchanges viz., BSE Limited - www.bseindia.com and National Stock Exchange of India Limited - www.nseindia.com. Other than the above, no physical/hard copies of the Notice & Annual Report will be sent to shareholders.
- 26) 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.
- 27) Relevant documents and registers will be available for inspection by the members at the registered office of the company. Members seeking any information with regard to the accounts or any other matter to be placed at the AGM, are requested to write to the Company on or before Monday, September 21, 2020 through email on cosecy@lokeshmachines.com The same will be replied by the Company suitably.
- 28) 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.

**THE INSTRUCTIONS FOR REMOTE E-VOTING AND VOTING AT THE MEETING ARE AS UNDER:**

1. The remote e-Voting period begins on 25th September 2020 at 9:00 A.M. (IST) and ends on 27th September, 2020 at 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 21st September, 2020 may cast their vote by remote e-Voting. The remote e-Voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the Member, the Member shall not be allowed to change it subsequently.
2. The details of the process and manner for remote e-Voting are explained herein below: Step 1: Log-in to NSDL e-Voting system at <https://www.evoting.nsdl.com/>  
Step 2: Cast your vote electronically on NSDL e-Voting system.

**Details on Step 1 is mentioned below:**

How to Log-in to NSDL e-Voting website?

1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com/> either on a Personal Computer or on a mobile.
  2. Once the home page of e-Voting system is launched, click on the icon “Login” which is available under ‘Shareholders’ section.
    - a) A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen. Alternatively, if you are registered for NSDL e-services i.e., IDEAS, you can log-in at <https://eservices.nsdl.com/> with your existing IDEAS login. Once you log-in to NSDL e-services after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e., cast your vote electronically.
  3. Your User ID details will be as per details given below:
    - a) For Members who hold shares in demat account with NSDL: 8 Character DP ID followed by 8 Digit Client ID (For example if your DP ID is IN300\*\*\* and Client ID is 12\*\*\*\*\* then your user ID is IN300\*\*\*12\*\*\*\*\*).  
For Members who hold shares in demat account with CDSL: 16 Digit Beneficiary ID (For example if your Beneficiary ID is 12\*\*\*\*\* then your user ID is 12\*\*\*\*\*).
    - b) For Members holding shares in Physical Form: EVEN Number followed by Folio Number registered with the company (For example if folio number is 001\*\*\* and EVEN is 110453 then user ID is 110453001\*\*\*).
  4. **Your password details are given below:**
    - a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.
    - b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the ‘initial password’ which was communicated to you. Once you retrieve your ‘initial password’, you need to enter the ‘initial password’ and the system will force you to change your password.
    - c) How to retrieve your ‘initial password’?
      - (i) If your email ID is registered in your demat account or with the Company, your ‘initial password’ would be communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e.a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your ‘User ID’ and your ‘initial password’.
      - (ii) If your email ID is not registered, please follow steps mentioned below in process for those shareholders whose email IDs are not registered.
  5. If you are unable to retrieve or have not received the “Initial password” or have forgotten your password:
    - a) Click on “Forgot User Details/Password?”  
(If you are holding shares in your demat account with NSDL or CDSL) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
    - b) “Physical User Reset Password?” (If you are holding shares in physical mode) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
    - c) If you are still unable to get the password by aforesaid two options, you can send a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) mentioning your demat account number/folio number, your PAN, your name and your registered address.
    - d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.
  6. After entering your password, tick on Agree to “Terms and Conditions” by selecting on the check box.
  7. Now, you will have to click on “Login” button.
  8. After you click on the “Login” button, Home page of e-Voting will open.
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**Details on Step 2 is mentioned below:**

How to cast your vote electronically on NSDL e-Voting system?

1. After successful login as provided in Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.
2. After clicking on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.
3. Select "EVEN" of Lokesh Machines Limited for which you wish to cast your vote.
4. Now you are ready for e-Voting as the Voting page opens.
5. Cast your vote by selecting appropriate options i.e., assent or dissent, verify/ modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Con?rm" when prompted.
6. Upon con?rmation, the message "Vote cast successfully" will be displayed.
7. You can also take the printout of the votes cast by you by clicking on the print option on the con?rmation page.
8. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

**Process for those shareholders whose e-mail IDs are not registered with the depositories for procuring user id and password and registration of e-mail IDs for e-Voting for the resolutions set out in this notice:**

**REGISTRATION OF E-MAIL ADDRESS BY SHAREHOLDERS WITH THE RTA & DETAILS FOR OBTAINING/ DOWNLOADING ELECTRONIC COPY OF ANNUAL REPORT AND AGM NOTICE;**

On account of the continuing threat posed by COVID -19 pandemic and in terms of the MCA and SEBI Circulars, the Company has sent the Annual Report, Notice of AGM and e-Voting instructions only in electronic form to the registered e-mail addresses of the Shareholders. Therefore, those Shareholders who have not yet registered their e-mail address are requested to get their e-mail address registered by following the procedure given below:

- (a) Those Shareholders who have registered/not registered their e-mail address and mobile number including address and bank details may please contact and validate/update their details with their Depository Participant in case of shares held in electronic form and with the Company's Registrar and Transfer Agent, M/s.Kfin Technology Pvt. Ltd. in case the shares are held in physical form.
- (b) Shareholders who have not registered their e-mail address and in consequence thereof, the Annual Report, Notice of AGM and e-voting instructions could not be served, may temporarily provide their e-mail address and mobile number to the Company's Registrar and Transfer Agent, M/s. Kfin Technology Pvt. Ltd. by writing to the e-mail id anandan.k@kfintech.com.for sending the softcopy of the Annual Report, Notice of AGM and e-voting instructions along with the User ID and password. In case of any queries, Shareholders may write to anandan.k@kfintech.com or Cosecy@lokeshmachines.com
- (c) Shareholders may also visit the website of the Company [www.lokeshmachines.com](http://www.lokeshmachines.com) for downloading the Annual Report and Notice of the AGM.
- (d) Alternatively, Shareholders may send an e-mail request at the e-mail id anandan.k@kfintech.com / cosecy@lokeshmachines.com along with scanned copy of the signed request letter providing the e-mail address, mobile number, self-attested PAN copy and Client Master copy, in case of electronic folio and copy of share certificate, in case of physical folio for sending electronically the Annual Report, Notice of AGM and the e-voting instructions.
- (e) Alternatively member may send an e-mail request to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) for obtaining User ID and Password by proving the details mentioned above.

**THE INSTRUCTIONS FOR MEMBERS FOR e-VOTING ON THE DAY OF THE AGM ARE AS UNDER:**

- i. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for remote e-Voting.

- ii. Only those Members / shareholders, who will be present in the AGM through VC / OAVM facility and have not cast their vote on the resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system at the AGM.
- iii. Members who have voted through Remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.
- iv. The details of the person who may be contacted for any grievances connected with the facility for e-Voting on the day of the AGM shall be the same person mentioned for remote e-Voting.

**INSTRUCTIONS TO THE MEMBERS FOR ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER:**

- i. Members will be provided with a facility to attend the AGM through VC/OAVM through the NSDL e-Voting system. Members may access the same at <https://www.evoting.nsdl.com> under shareholders/ members login by using the remote e-Voting credentials. The link for VC/OAVM will be available in shareholder/ members login where EVEN of the Company will be displayed. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice to avoid last minute rush. Further members can also use the OTP based login for logging into the e-Voting system of NSDL.
- ii. Members are encouraged to join the Meeting through Laptops for better experience.
- iii. Further Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
- iv. Please note that participants connecting from Mobile Devices or Tablets or through Laptops connecting via Mobile Hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.
- v. Members who would like to express their views/ask questions during the meeting may register themselves as a speaker and send their request mentioning their name, demat account number/ folio number, email id, mobile number at [cosecy@lokeshmachines.com](mailto:cosecy@lokeshmachines.com) at least 5 days in advance before the start of the meeting i.e., by 23rd September 2020 by 3.30 P.M. (IST). The same will be replied by the Company suitably.
- vi. Those members who have registered themselves as a speaker will only be allowed to express their views/ ask questions during the meeting.
- vii. Members can submit questions in advance with regard to the financial statements or any other matter to be placed at the AGM, from their registered e-mail address, mentioning their name, DP ID and Client ID number / folio number and mobile number, to reach the Company's e-mail address at [Cosecy@lokeshmachines.com](mailto:Cosecy@lokeshmachines.com) at least 5 days in advance before the start of the meeting. Such questions by the Members shall be taken up during the meeting and replied by the Company suitably.

**General Guidelines for shareholders:**

1. The Company has appointed Mr. L.D. Reddy, Practicing Company Secretary, Hyderabad (M. No. 13104, CP No. 3752) as the Scrutinizer for conducting the E-voting process in a fair and transparent manner.
2. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail [ldreddy2016@gmail.com](mailto:ldreddy2016@gmail.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).
3. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) to reset the password.

4. A person, whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-Voting or casting vote through e-Voting system during the meeting.
5. In case of any queries, Members may refer to the Frequently Asked Questions (FAQs) for Shareholders and e-Voting user manual for Shareholders available at the download section of [www.evoting.nSDL.com](http://www.evoting.nSDL.com) or call on toll free no.: 1800-222-990. Members who need assistance before or during the AGM, can contact NSDL on [evoting@nSDL.co.in/](mailto:evoting@nSDL.co.in) or contact Mr. Amit Vishal, Senior Manager - NSDL at [amity@nSDL.co.in/](mailto:amity@nSDL.co.in) 022-24994360 /+91 9920264780 or Mr. Sagar Ghosalkar, Assistant Manager - NSDL at [sagar.ghosalkar@nSDL.co.in/](mailto:sagar.ghosalkar@nSDL.co.in) 022-24994553 / +91 9326781467.
6. The Scrutinizer shall after the conclusion of e-Voting at the AGM, first download the votes cast at the AGM and thereafter unblock the votes cast through remote e-Voting and shall make a consolidated scrutinizer's report of the total votes cast in favour or against, invalid votes, if any, and whether the resolution has been carried or not, and such report shall then be sent to the Chairman or a person authorized in this regard, within 48 (forty eight) hours from the conclusion of the AGM, who shall then countersign and declare the result of the voting forthwith.
7. The results declared along with the report of the Scrutinizer shall be placed on the website of the Company at [www.lokeshmachines.com](http://www.lokeshmachines.com) and on the website of NSDL at [www.evoting.nSDL.com](http://www.evoting.nSDL.com) immediately after the declaration of results by the Chairman or a person authorized by him. The results shall also be immediately forwarded to BSE Limited, Mumbai and The National Stock Exchange of India Limited, Mumbai.
8. Pursuant to the Circulars issued by MCA and SEBI, owing to the difficulties involved in dispatching of physical copies of the Notice of the AGM and the Annual Report for the year 2019-20, the said documents are being sent only by email to the Members.

Therefore, those Members, whose email address is not registered with the Company or with their respective Depository Participant/s, and who wish to receive the Notice of the AGM and the Annual Report for the year 2019-20 and all other communication sent by the Company, from time to time, can get their email address registered by following the steps as given below:-

- a) For Members holding shares in physical form, please send scan copy of a signed request letter mentioning your folio number, complete address, email address to be registered along with scanned self-attested copy of the PAN and any document (such as Driving Licence, Passport, Bank Statement, AADHAAR) supporting the registered address of the Member, by email to the Company's email address [cosecy@lokeshmachines.com](mailto:cosecy@lokeshmachines.com).
- b) For Members holding shares in demat form, please update your email address through your respective Depository Participant/s.

By Order of the Board  
**For LOKESH MACHINES LIMITED**

Place: Hyderabad  
Date: September 02, 2020

Sd/-  
**Matru Prasad Mishra**  
Company Secretary

## Explanatory Statement

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

**Item # 3**

The Board of Directors had appointed Ms. Mullapudi Likhitha (DIN: 08765043) as an Additional director of the Company by Circular Resolution dated 18th June, 2020 Pursuant to the provisions of the Companies Act, 2013 (the Act) read with Articles of Association of Company and in compliance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in the category of Non-Executive and Non-Independent Director, with effect from 18th June, 2020.

Presently Ms. Likhitha Mullapudi is serving as a Non-Executive and Non-Independent director on the Board and she is hereby considered as Woman Director in terms of the provision of The Companies Act 2013 and pursuant to Regulation 17(1)(a) of SEBI (Listing Obligations and Disclosure. She will hold office upto the date of this Annual General Meeting. Ms. Mullapudi Likhitha is not disqualified from being appointed as director in terms of Section 164 of the Companies Act, 2013 and She has given consent to act as a director of the Company.

Ms. M. Likhitha has completed her BE in Integrated 3+1 program in Mechanical Engineering from PSG institute of Advanced Studies, Coimbatore, India and University of Hartford, Connecticut, USA. She has also done her ME in Mechanical Engineering with manufacturing and management specialization from University of Hartford, Connecticut, USA. She is having relevant experiences in the field of mechanical engineering, manufacturing and operational aspects of the industry.

Ms. M. Likhitha is a related party to the Company being classified under “Promoter Group” of the Company. She is holding 5,54,190 shares of the Company.

The Board recommends the resolution in relation to Regularisation of appointment of Ms. M. Likhitha as Non-Executive, Non-Independent director of the Company for approval by the shareholders as a special resolution.

Except Ms. M. Likhitha, Mr. M. Srinivas, Mrs. M. Kanakadurga, Mr. M. Lokeswara Rao, Mrs. M. Vijayalakshmi and her relatives, none of the Directors, Key Managerial Personnel or their relatives are in any way concerned or interested in the said resolution.

**Item # 4**

Mr. K. Krishna Swamy was appointed as non-executive director of the Company. As per the amended SEBI(LODR) Regulations, 2015 which requires special resolution for appointment/continuation 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.4 of the Notice for continuation of his appointment.

Board recommends the resolution for your approval as a Special Resolution

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.

**Item # 5**

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, 2020 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. 5 of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year ending 31st March, 2020.

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. 5 of the Notice.

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

Additional information on Directors seeking appointment / re-appointment at the forthcoming Annual General Meeting Pursuant to Regulation 36(3) of SEBI(Listing Obligations and Disclosure Requirement) Regulation, 2015

**Additional information on Directors seeking appointment / re-appointment at the forthcoming Annual General Meeting Pursuant to Regulation 36(3) of SEBI(Listing Obligations and Disclosure Requirement) Regulation, 2015**

**i) Mr K. Krishna Swamy (DIN: 00840887)**

Name of the Director	Mr K. Krishna Swamy
Date of Birth	25-12-1940
Designation	Non Executive- Non-Independent Director
Educational Qualifications	Bachelor of Technology(Mechanical)
Nature of Expertise	Nearly 54 years of experience in the field of Mechanical Division.
Relationship with other Directors of the Company	Nil
Name of listed entities in which person holds the directorship and the membership of Committees of the Board	Nil
No of Shares held in the company	12,000

**ii) Ms. Mullapudi Likhitha (DIN:08765043)**

Name of the Director	Ms. M. Likhitha	
Date of Birth	11-01-1995	
Designation	Non Executive- Non-Independent Director	
Educational Qualifications	BE in Integrated 3+1 program in Mechanical Engineering, ME in Mechanical Engineering	
Nature of Expertise	Relevant experiences in mechanical engineering, manufacturing and operational aspects of the industry.	
Relationship with other Directors of the Company	D/o. M. Srinivas, Director of the Company & Grand Daughter of M. Lokeswara Rao, Managing Director of the Company	
Name of other entities in which person holds the directorship and the membership of Committees of the Board	Directorship	Committee Membership
	Nil	Nil
No of Shares held in the company	5,54,190	

By Order of the Board  
For **LOKESH MACHINES LIMITED**

Place: Hyderabad  
Date: September 02, 2020

Sd/-  
**Matru Prasad Mishra**  
Company Secretary



## BOARD'S REPORT

Dear Share Holders,

Your Directors are pleased to present the 36th Annual Report of the company along with the Audited financial Statements for the financial year ended March 31, 2020.

### FINANCIAL RESULTS

*Rs in Lakhs*

Particulars	(2019-20)	(2018-19)
Net Sales	12,584.07	19,044.07
Other Income	42.89	94.75
Captive Consumption	210.90	424.15
Total Income	12837.86	19562.97
<b>Profit before Depreciation, Interest and Taxes</b>	<b>1251.96</b>	<b>3220.93</b>
Less: Depreciation	890.00	912.58
<b>Profit before Interest and Taxes</b>	<b>361.96</b>	<b>2308.35</b>
Less: Interest and Finance Charges	1174.71	1289.73
<b>Profit/ (Loss) before Taxes</b>	<b>(812.75)</b>	<b>1018.62</b>
Less: Provision for Taxes	344.33	342.08
<b>Profits/ (Loss) after Taxes</b>	<b>(468.42)</b>	<b>676.54</b>
<b>Other Comprehensive Income</b>	<b>(57.30)</b>	<b>(27.85)</b>
<b>Total Comprehensive Income/ (Loss)</b>	<b>(525.72)</b>	<b>648.69</b>

### PERFORMANCE REVIEW:

The turnover decreased by 34%, during the year.

- During the year, the Company recorded Revenue from Operations by way of Net Sales of Rs.125.85 Crores as against Rs.190.45 Crores in 2018-19 a reduction of about 34%.
- The Machine Tool Division has registered a de-growth in terms of sales value as compared to the previous year; primarily lead by the General Purpose machinery division which itself showed a sharp fall down of around 45% as compared to previous year. GPM Machines export sale has also shown considerably lower numbers in comparison to previous financial year. Sale of SPM machines registered marginal fall during the year in terms of total sales value.
- The Component division had also shown a decreased movement in comparison to previous year.
- The overall reduction in Turnover and the loss suffered by the Company was due to the slowdown of the economy especially in Auto sector. This has resulted into poor performance of the Company.

### IMPACT OF COVID-19 AND FUTURE COURSE OF ACTIONS

The spread of COVID-19 virus caused global disruption, with negative impact on human health, business enterprises and the global economy in general. The rapid outbreak of the COVID-19 pandemic during Q4 of FY 2019-20, has severely impacted the physical and financial health of people across India and to prevent the contagion in the Country, phases of nationwide lockdown was announced by the Government of India ("GOI").

Based on the directive given by the GOI for closure of activities to control COVID-19 pandemic, your Company suspended its production across all its factory locations, manufacturing plants since March 23, 2020 and resumed

operations in its plants during second week of May 2020 in a phased manner, after obtaining necessary approvals from the relevant authorities. Your Company has been abided and compliant to the Ministry of Home Affairs and State Government guidelines on administration and social distancing.

During this uncertain period, your Company has implemented detailed business continuity plans with its partners and suppliers in an effort to secure the continuation of operations while caring for the health, safety and well-being of its employees.

As a result of COVID-19, the demand for your Company's products has seen a drastic slowdown and has hampered the supply chain for the automotive industry as a whole. This in turn has an impact on the supply chain of your Company and could pose challenges relating to procurement of raw materials in the foreseeable future.

Your Company is taking a number of measures to mitigate substantial negative impact including manpower, cost control and in close collaboration with customers, banks, financial institutions, suppliers and employees. These actions are an acknowledgement of current events as well as uncertainty around the timing and showing path of recovery.

Your Company is prepared to focus its efforts on securing supplies, manufacturing and logistics for growth amidst this crisis and also has plans to develop its market for its products to enhance visibility of demand and customer needs. Liquidity and other risks are being monitored on an on-going basis. The Company has taken Cash flow control and overhead control measures to manage the operations. Weekly review mechanism adopted to review the account receivables and measures taken to control the capital expenditure.

However, with a good monsoon, the rural demand is expected to be robust and therefore we foresee business from customers catering to this sector.

#### **FUTURE OUTLOOK**

The automotive industry in India has been witnessing a slowdown and 2019-20 was a challenging year for the Company in terms of Sales as well as Profit. The Indian automotive and related industries witnessed several head winds in the Financial year 2019-20 due to slowdown in the economy and regulatory changes such as emission norms, axle load & other norms, which hindered the industry's performance.

The impact of COVID-19 will be felt in the Financial Year 2020-21 as it is expected to further drag the slowness in the auto industry and the revival is bound to be slow. However, the Tractor industry expects a strong growth in the year 2020-21 due to good rainfall in the previous year, increased Minimum Support Prices, credit availability, positive farm sentiment and normal monsoon expected in the current year. The long-term outlook remains positive for the Automotive Industry with most major global players having a base in India for manufacturing, global sourcing and engineering.

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**

In view of inadequacy of profit, your director's regrets to recommend any dividend for the financial year ended 31st March, 2020.

**TRANSFER TO GENERAL RESERVE**

The Company does not propose to transfer any amount to General Reserve for the Financial year 2019-20.

**SHARE CAPITAL**

The paid-up Equity Share Capital as on 31st March, 2020 was Rs. 1789.67 Lakhs

**SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

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

**DIRECTORS AND KEY MANAGERIAL PERSONNEL****Composition**

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

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

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

Mr. M. Lokeswara Rao, Managing Director, Mr. V. Sudhakara Reddy, Chief Financial officer, Mr. Matru Prasad Mishra, Company Secretary hold the office of Key Managerial Personnel.

There is no change in Key Managerial Personnel during the said financial year 2019-20.

**Noting of Appreciation of Services:**

The Board places on record the appreciation for guidance and valuable services provided by Mr. A. Vijay Kumar, non-executive independent director who resigns from the office of Director with effect from 28th Feb, 2020 on account of his preoccupation. The Board also places on record the appreciation for guidance and valuable services during his tenure. The Board wishes him good health, fortune and carrier in the days to come.

The Board also noted down the resignation of Mrs. Bhavana Rao from the Company's Board w.e.f. 29/11/2019 and Board noted down the same and wishes her good health, fortune and carrier in the days to come.

**Independent Directors**

The Independent Directors have fulfilled the criteria of Independence as defined under Section 149(6) and requisite declarations in terms of Section 149(7) of the Companies Act, 2013 have been received. During the year under review a separate meeting of independent directors was held on 13th February 2020. 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.

**BOARD MEETINGS**

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

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

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

**AUDITORS****Statutory Auditors**

As per the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 (the Act), and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and pursuant to recommendation of the Audit Committee and the Board of Directors, M/s. K.S.Rao & Co., Chartered Accountants, Hyderabad, (ICAI Firm Regn. No.003109S) has been 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 2019-20 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 2019-20, as required under Section 204 of the Companies Act, 2013 and Rule 9 there-under. The Secretarial Audit Report for FY 2019-20 forms part of this Report as Annexure.

**Reply to the observations of Secretarial Auditor:**

Company has appointed Ms. M. Likhitha (DIN: 08765043) as Non-Executive (Non-Independent) director of the Company w.e.f. 18/06/2020. She has also been considered as Woman director of the Company w.e.f 18/06/2020 under respective sections of Companies Act, 2013 and SEBI (LODR) Regulations, 2015. Company has filed necessary forms on MCA for her appointment and intimated to both the stock exchange regarding the same.

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

The Company is regular in complying the regulatory compliances under Relevant Acts/Regulations. The gratuity amount was due during the last week of March, 2020. But due to unprecedented effect of Covid-19 and the country wide lockdown, Company was unable to pay the gratuity amount and renew the policy thereof. However, management has taken measures to pay for the gratuity amount and renewal of policy thereof. The Company will be cautious for compliance of the said laws/acts.

**INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The details are provided in the Management Discussion and Analysis Report attached to this report.

The Internal Auditors reviews the efficiency and effectiveness of the systems and procedures. The Audit Committee approves and reviews the internal audit plan for the year.

**SECRETARIAL STANDARDS**

The Directors have devised proper systems and processes for complying with the requirements of applicable Secretarial Standards issued by the Institute of Company Secretaries of India and that such systems were adequate and operating effectively.

**EXTRACT OF ANNUAL RETURN**

The details forming part of the extract of the Annual Return in form MGT-9 is annexed with this report in Annexure.

As per recent MCA notification dated 28th August, 2020 pursuant to Sec 92(3) of the Companies Act, 2013 as amended, once the Annual Return of the Company will be prepared, such Annual Return shall be published on Company's Website i.e., [www.lokeshmachines.com](http://www.lokeshmachines.com) under "Investor center" tab.

**INDUSTRIAL RELATIONS**

The employee relations have remained cordial throughout the year and industrial harmony was maintained. Measures for the safety, training and development of the employees continued to receive top priority. The Directors wish to place on record their appreciation of the valuable contribution made by the employees of the Company at all levels towards the performance and growth of the Company.

**PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS MADE UNDER SECTION 186 OF THE COMPANIES ACT, 2013**

The Company has not given any loans or guarantees covered under the provisions of Section 186 of the Companies Act, 2013. The details of the investments made by Company are given in the financial statements.

**CORPORATE SOCIAL RESPONSIBILITY (CSR)**

The CSR Policy of the Company and details about the initiatives taken by the Company on CSR during the year as per the Companies (Corporate Social Responsibility Policy) Rules, 2014 have been disclosed as part of this report in Annexure attached hereof. Further details of composition of the Corporate Social Responsibility Committee and other details are provided in the Corporate Governance Report which forms part of this report.

**INTERNAL COMPLAINT COMMITTEE**

The Company has in place a policy for prevention, prohibition and redressal against sexual harassment of women at workplace to protect women employees and enable them to report sexual harassment at workplace. An Internal Committee has been constituted consisting of optimum number of women for the said purpose.

**PERFORMANCE 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 Nomination and Remuneration Committee has defined the evaluation criteria, procedure, and time schedule for the Performance Evaluation process for the Board, its Committees and Directors.

Directors were evaluated on aspects such as attendance and contribution at Board/ Committee Meetings and guidance/ support to the management outside Board/ Committee Meetings.

**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, 2020 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, 2020 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, five Board Meetings were held on 13th May, 2019, 25th May 2019; 14th August, 2019; 12th November, 2019 and 13th February, 2020.

**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 has been annexed with this report.

**CERTIFICATE FROM COMPANY SECRETARY IN PRACTICE**

L. Dhanamjaya Reddy, Practicing Company Secretary, has issued a certificate as required under the Listing Regulations, confirming that none of the directors on the Board of the Company has been debarred or disqualified from being appointed or continuing as director of companies by the SEBI/ Ministry of Corporate Affairs or any such statutory authority. The certificate is enclosed as Annexure.

**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.

**PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES**

The information required pursuant to Section 197(12) of the Companies Act, 2013 read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company, will be provided upon request. In terms of Section 136(1) of the Companies Act, 2013, the reports and accounts are being sent to the members and others entitled thereto, excluding the information on employees' particulars which is available for inspection by the members at the Registered office of the Company during business hours on working days of the Company up to the date of ensuing Annual General Meeting.

The Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided in the Annexure forming part of the Annual Report.

With regard to the provisions of Section 136(1) read with its relevant provision of the Companies Act, 2013, the Annual Report excluding the aforesaid information is being sent to the members of the Company. The said information is available for inspection at the Registered office of the Company during working hours and any

member interested in obtaining such information may write to the Company Secretary at cosecy@lokeshmachines.com or can write at the registered office address of the Company

**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.

**INSURANCE:**

The Company takes a very pragmatic approach towards insurance. Adequate cover has been taken for all movable and immovable assets for various types of risks.

**SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS:**

There are no significant material orders passed by the Regulators /Courts/ Tribunals which would impact the going concern status of the Company and its future operations.

**Management Discussion and Analysis**

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

**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, in 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.

**VIGIL MECHANISIM**

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.

**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.39 of the Financial Statements of the Company for the financial year ended 31st March, 2020. 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. There are no materially significant related party transactions made by the Company during the year. 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

Place: Hyderabad  
Date : 02/09/2020

Sd/-  
**M. Srinivas**  
(Whole Time Director)

Sd/-  
**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	23.27:1
B Kishore Babu	20.94:1
M. Srinivas	20.94:1
M. Srikrishna	20.94:1

- 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	38.46%
M Srinivas	38.46%
M Srikrishna	38.46%
V Sudhakara Reddy	25.00%
Matru Prasad Mishra	20.00%

- iii) **The number of permanent employees on the rolls of company; 396**

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

On an average, employees received an annual increase of 5%. Generally 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.

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

Aggregate remuneration of Key Managerial Personnel(KMP) in FY 2019-20(Rs. Lakhs)	226.65
Total Revenue (Rs.Lakhs)	12626.96
Remuneration of KMP(as % of revenue)	1.794%
Profit/ (Loss) before Tax (Rs.Lakhs)	(812.75)
Remuneration of KMP(as % of PBT)	(27.89%)



**vi) 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 31,2020	March 31,2019	% Change
Market Capitalisation (Rs. Lakhs)	2720.31	7811.94	(65.18 %)
Price Earning Ratio	(5.80)	11.55	(49.78%)

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 31,2020	IPO Price	% Change
Market Price (BSE)	15.15	140	-89.18%
Market Price (NSE)	15.20	140	-89.14%

**vii) 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 increase in remuneration paid to the Whole time Directors and employees other than managerial personnel during the financial year ended 31st March, 2020.

**viii) 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. Sudhakar Reddy	Mr.Matru Prasad Mishra
Remuneration in FY 19 -20 (Rs. Lakhs)	60.00	46.50	46.50	46.50	20.35	6.80
Total Revenue (Rs. Lakhs)	12626.96	12626.96	12626.96	12626.96	12626.96	12626.96
Remuneration as % of Revenue	0.47	0.37	0.37	0.37	0.16	0.05
Profit /(Loss) Before Tax	(812.75)	(812.75)	(812.75)	(812.75)	(812.75)	(812.75)
Remuneration (as % of PBT)	(7.38)	(5.72)	(5.72)	(5.72)	(2.50)	(0.84)

**ix) 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.

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

Place: Hyderabad  
Date : 02/09/2020

**M Srinivas**  
(Whole Time Director)

**M Lokeswara Rao**  
(Managing Director)

**Form No. MGT-9**  
**EXTRACT OF ANNUAL RETURN**  
**For the financial year ended on 31-03-2020**

[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	17-12-1983
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 - II, BALANAGAR, HYDERABAD-500037.
Whether listed company	Yes
Name, Address and Contact details of Registrar and Transfer	KFin Technology Pvt. Ltd. Karvy Selenium Tower B, Plot No.31-32,Gachibowli Financial District, Nanakramguda, Serilingampally, Hyderabad - 500 032.
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:

Sl.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	49.00%
2.	Special Purpose Machines	28221	8.66%
3.	Jobwork charges	28223	42.32%

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

Sl.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	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/HUF	8932505	—	8932505	49.91	9012222	—	9012222	50.36	0.45
b) Central Govt	—	—	—	—	—	—	—	—	—
c) State Govt (s)	—	—	—	—	—	—	—	—	—
d) Bodies Corp.	—	—	—	—	—	—	—	—	—
e) Banks / FI	—	—	—	—	—	—	—	—	—
f) Any Other....	—	—	—	—	—	—	—	—	—
<b>Sub-total (A)(1):-</b>	8932505	—	8932505	49.91	9012222	—	9012222	50.36	0.45
<b>(2) Foreign</b>									
a) NRIs -Individuals	—	—	—	—	—	—	—	—	—
b) Other –Individuals	—	—	—	—	—	—	—	—	—
c) Bodies Corp.	—	—	—	—	—	—	—	—	—
d) Banks / FI	—	—	—	—	—	—	—	—	—
e) Any Other....	—	—	—	—	—	—	—	—	—
<b>Sub-total (A)(2):-</b>	—	—	—	—	—	—	—	—	—
<b>Total shareholding of Promoter (A) =(A)(1)+(A)(2)</b>	8932505	—	8932505	49.91	9012222	—	9012222	50.36	0.45
<b>B. PublicShareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	—	—	—	—	—	—	—	—	—
b) Banks / FI	371798	—	371798	2.08	371000	—	371000	2.07	(0.01)
c) Central Govt	—	—	—	—	—	—	—	—	—
d) State Govt(s)	—	—	—	—	—	—	—	—	—
e) Venture Capital Funds	—	—	—	—	—	—	—	—	—
f) InsuranceCompanies	—	—	—	—	—	—	—	—	—
g) FIIs	—	—	—	—	—	—	—	—	—
h) Foreign VentureCapital Funds	—	—	—	—	—	—	—	—	—
i) Others (specify)	—	—	—	—	—	—	—	—	—
<b>Sub-total (B)(1):-</b>	371798	—	371798	2.08	371000	—	371000	2.07	(0.01)
<b>2. Non-Institutions</b>									
a) Bodies Corp.	983728	—	983728	5.50	874125	—	874125	4.88	(0.62)
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 2 lakh	4721324	12360	4733684	26.45	4535710	3010	4538720	25.36	(1.09)
ii) Individual shareholders holding nominal share capital in excess of Rs 2 lakh	2399242	—	2399242	13.41	2579240	—	2579240	14.41	1.00

c) Others									
- Directors	—	—	—	—	—	—	—	—	—
- Trust	12000	—	12000	0.07	12000	—	12000	0.07	—
- HUF	347555	—	347555	1.94	364429	—	364429	2.04	0.10
- NRIs	97112	—	97112	0.54	119663	—	119663	0.67	0.13
- Clearing members	18246	—	18246	0.10	16983	—	16983	0.09	(0.01)
- NBFC	1000	—	1000	0.01	—	—	—	—	(0.01)
- IEPF	—	—	—	—	8388	—	8388	0.05	0.05
<b>Sub-total (B)(2):-</b>	<b>8580107</b>	<b>12360</b>	<b>8592467</b>	<b>48.01</b>	<b>8510538</b>	<b>3010</b>	<b>8513548</b>	<b>47.57</b>	<b>(0.45)</b>
<b>Total Public Shareholding (B)= (B)(1)+ (B)(2)</b>	<b>8951905</b>	<b>12360</b>	<b>8964265</b>	<b>50.09</b>	<b>8881538</b>	<b>3010</b>	<b>8884548</b>	<b>49.64</b>	<b>(0.45)</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	—	—	—	—	—	—	—	—	—
<b>Grand Total(A+B+C)</b>	<b>17884410</b>	<b>12360</b>	<b>17896770</b>	<b>100.00</b>	<b>17893760</b>	<b>3010</b>	<b>17896770</b>	<b>100.00</b>	<b>—</b>

**(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	553093	3.09	3.07	496920	2.78	2.52	(0.31)
2	MULLAPUDI SRIKRISHNA	1812271	10.13	6.55	1851488	10.35	4.04	0.22
3	MULLAPUDI SRINIVAS	1921615	10.74	6.48	1921615	10.74	8.45	—
4	MULLAPUDI VIJAYALAKSHMI	1794913	10.03	8.47	1716586	9.59	7.07	(0.44)
5	MULLAPUDI KANAKADURGA	700372	3.91	2.17	700372	3.91	2.22	—
6	BOLLINENI KISHORE BABU	1087009	6.07	5.00	1087009	6.07	1.03	—
7	BOLLINENI VIJAYALAKSHMI	140939	0.79	0	140939	0.79	1.03	—
8	BOLLENENI SHILPA	104810	0.59	0	104810	0.59	0	—
9	AJAYKUMAR MULLAPUDI	3269	0.02	0	3269	0.02	0	—
10	MULLAPUDI LIKHITHA	554190	3.10	0	554190	3.10	0	—
11	MULLAPUDI RAMMOHAN RAO	22043	0.12	0	22043	0.12	0	—
12	BOLLINENI SRIHARSHA	32819	0.18	0	32819	0.18	0	—
13	GANNE ANNAPURNA	16598	0.09	0	16598	0.09	0	—
14	KRISHNASWAMY K	12000	0.07	0	12000	0.07	0	—
15	MULLAPUDI VASANTHALAKSHMI	14004	0.08	0	14004	0.08	0	—
16	GUTTA SAIRAM PRASAD	7859	0.043	0	7859	0.043	0	—
17	G KAMALADEVI	7777	0.04	0	7777	0.04	0	—
18	NAGA SATYA SWAROOPA RANI	146924	0.82	0	146924	0.82	0	—
19	SRIREKHA CHERUKURI	NIL	NIL	NIL	174900	0.98	0	0.98
20	ASHA KIRAN CHERUKURI	NIL	NIL	NIL	100	0.0005	0	0.0005
		<b>8932505</b>	<b>49.91</b>	<b>31.74</b>	<b>9012222</b>	<b>50.36</b>	<b>25.34</b>	<b>0.45</b>

## (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	553093	3.09		
	Market Purchase of shares from dated 18/12/2019 to 19/12/2019	30000	0.17		
	Market Purchase of Shares on 20/12/2019	10500	0.06		
	Inter-se Transfer of Shares by M. Vijayalakshmi on dated 24/12/2019	78327	0.44		
	Inter-se Transfer of Shares to C. Sreekha on dated 26/12/2019 At the end of the year	(175000)	(0.98)	496920	2.78
2	MULLAPUDI SRIKRISHNA At the beginning of the year	1812271	10.13		
	Market Purchase of Shares from 23/03/2020 to 25/03/2020	39217	0.22		
	At the end of the year			1851488	10.35
3	MULLAPUDI SRINIVAS At the beginning of the year	1921615	10.74		
	At the end of the year			1921615	10.74
4	BOLLINENI KISHORE BABU At the beginning of the year	1087009	6.07		
	At the end of the year			1087009	6.07
5	MULLAPUDI VIJAYALAKSHMI At the beginning of the year	1794913	10.03		
	Inter-se Transfer of Shares to M. Lokeswara Rao on dated 24/12/19	(78327)	(0.44)		
	At the end of the year			1716586	9.59
6	SRIREKHA CHERUKURI At the beginning of the year	—	—		
	Inter-se Transfer of Shares (Gift of shares by M. Lokeswara Rao) on dated 26/12/2019	175000	0.98		
	At the end of the year			175000	0.98

7	ASHA KIRAN CHERUKURI				
	At the beginning of the year	—	—		
	Inter-se Transfer of Shares (Gift of Shares by C. Sreekha) on dated 11/03/2020	100	0.0005		
	At the end of the year			100	0.0005

**(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	2.07		
	Increase/ Decrease shareholding during the year	—	—	—	—
	At the end of the year			370000	2.07
2	Mapakhsi Murali Reddy				
	At the beginning of the year	50353	0.28		
	At the end of the year			278744	1.56
3	Sundeep Rajapal Chhabra				
	At the beginning of the year	200000	1.12		
	At the end of the year			200000	1.12
4	Kavita Sundeep Chhabra				
	At the beginning of the year	200000	1.12		
	At the end of the year			200000	1.12
5	Raunaq Sundeep Chhabra				
	At the beginning of the year	200000	1.12		
	At the end of the year			200000	1.12
6	Girdhar Fiscal Services Pvt Ltd.				
	At the beginning of the year	129972	0.73		
	At the end of the year			152000	0.84
7	RUPANKI PRASHANT SHAH				
	At the beginning of the year	142770	0.80		
	At the end of the year			150000	0.83

8	A .MAHALAKSHMI				
	At the beginning of the year	125000	0.69		
	Increase in the share holding during the year	—	—	—	—
	At the end of the year			145000	0.81
9	PERUNDEVI KRISHNAN				
	At the beginning of the year	—	—		
	At the end of the year			142976	0.79
10	Golden Goenka Credit Pvt. Ltd.				
	At the beginning of the year	141000	0.70		
	At the end of the year			121684	0.67

**(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		Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	MULLAPUDI LOKESWARA RAO				
	At the beginning of the year	553093	3.09		
	At the end of the year			496920	2.78
2	MULLAPUDI SRIKRISHNA				
	At the beginning of the year	1812271	10.13		
	At the end of the year			1851488	10.35
3	MULLAPUDI SRINIVAS				
	At the beginning of the year	1921615	10.74		
	At the end of the year			1921615	10.74
4	BOLLINENI KISHORE BABU				
	At the beginning of the year	1097009	6.07		
	At the end of the year			1087009	6.07
5	K. KRISHNA SWAMY				
	At the beginning of the year	12000	0.07		
	At the end of the year			12000	0.07
6	V.SUDHAKARA REDDY				
	At the beginning of the year	11000	0.06		
	During the year	—	—	—	—
	At the end of the year			11000	0.06
7	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
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	12,98,18,375	4,45,00,000	Nil	17,43,18,375
ii) Interest due but not paid	3,53,644	4,25,762		7,79,406
iii) Interest accrued but not due	—	—		—
<b>Total (i+ii+iii)</b>	<b>13,01,72,019</b>	<b>4,49,25,762</b>		<b>17,50,97,781</b>
<b>Change in Indebtedness during the financial year</b>			Nil	
• Addition	16,15,34,352	—		16,15,34,352
• Reduction	(11,38,16,365)	(75,00,000)		(12,13,16,365)
<b>Net Change</b>	<b>4,77,17,987</b>	<b>(75,00,000)</b>		<b>4,02,17,987</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	17,75,36,362	3,70,00,000		21,45,36,362
ii) Interest due but not paid	8,10,296	3,87,296	Nil	11,97,592
iii) Interest accrued but not due	—	—		—
<b>Total (i+ii+iii)</b>	<b>17,83,46,658</b>	<b>3,73,87,296</b>		<b>21,57,33,954</b>

**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	46.50	46.50	46.50	199.50
	(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	-	-	-	-	-
	<b>Total (A)</b>	60.00	46.50	46.50	46.50	199.50

**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	50,000 50,000
2	Commission	—	—
	<b>Total</b>		<b>1,00,000</b>

**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	—	6.80	20.35	27.15
	(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	—	—	—	—
	<b>Total</b>	—	6.80	20.35	27.15

**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	—	—	—	—	—
<b>OTHER OFFICERS IN DEFAULT</b>					
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 : 65 lakhs
  - (c) Total: : 65 lakhs
  - (d) Total R & D expenditure as a percentage of total turnover: 0.52 %

#### Foreign Exchange Earnings and Outgo

- (i) Foreign Exchange Earnings : Rs. 411.84 Lakhs
- (ii) Foreign Exchange Outgo:
 

For Capital Goods	:	NIL
For Components on FOB basis	:	Rs 281.58 lakhs
Towards Foreign Travel	:	Rs. 2.00 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 in compliance with Companies (Indian Accounting Standard) Rules, 2015. The Company has adopted "IND AS" with effect from 1st April, 2017. Accordingly the financial statements for the year 2019-20 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 2019-20 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, Pandemic and Political Developments, both in the Indian and international economies and due to other factors beyond control.

#### Industry Structure and Developments:

The Indian machine tools sector has been witnessing a slowdown and FY 2019-20 was a challenging year for the Company in terms of Sales as well as Profit. The Indian automobile sector and allied industries witnessed several headwinds in the financial year 2019-20 due to slowdown in the economy and regulatory changes such as emission norms, axle load and other norms, which hindered the Industry's performance. During the year Medium and Heavy Commercial Vehicle Industry and Tractor industry registered a negative growth which has severely impacted the Auto Component Industry. Due to delayed monsoon and flooding, the Tractor industry witnessed a negative growth during the FY 2019-20.

With the advent of BS6 from April 2020, the industry was praying for a change in sentiment and fortunes. But much to everybody's dismay, a totally unforeseen event in the form of a pandemic COVID-19 has disrupted the entire world and our country was no exception. Due to on-going Covid-19 Pandemic, a lockdown was imposed by the Central Government in March 2020 and the Company has to shut down its manufacturing operations and partially resumed operations subsequently on second week of May, 2020 with minimum workforce as per the guidelines issued by the Ministry of Health and Family Welfare. The Company has taken necessary steps to build in all the safety and precautionary measures across all its facilities and plants. The Impact of Covid-19 shall be felt in the Financial Year 2020-21 as it is expected to further drag the slowness in the auto industry and the revival is bound to slow.

#### Opportunities and Threats:

The growth opportunity for the machine tool Industry is in proportion with growth of other industries. During the last few years, the phenomenal growth in Automobile industry has largely contributed to the growth of machine tool industry and opportunities lie in further growth in Automobile Industry as several multinational car manufacturers are shifting a part of their supply chain & sourcing base to India.

Besides Auto component manufacturers, a host of Engineering, Medical, Defense and Power sector based industries are also contemplating about moving their supply chain to India. This provides a huge opportunity for Indian manufacturers and this would provide a corresponding opportunity to Machine Tool Manufacturers.

The main threat to which the Industry is exposed to is volatility of commodity prices affecting input costs structure. Volatility and seasonality have a significant impact on capacity utilizations in the Industry which would result in stiff price competition in lean periods. However the Company strives to create sustainable profitable growth by continuing focus on technology developments/ up gradation and quality of its products to its diversified customer base which will lead the Company towards a competitive edge in the market.

#### 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 both in manufacturing as well as marketing. Further, to cater to the new opportunities emerging from Non- Automotive industries, 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, cost competitiveness and increased market reach are expected to yield good results in the near future.

Component Division: The Company has a rich experience of 36 years in automobile sector and in manufacturing of auto components such as Cylinder Blocks, Cylinder Heads and Connecting Rods. With significant demand from M&M, the company is adding capacities to meet the demands.

### Outlook

The Long term outlook for the industry is optimistic based upon the product innovation as most major global players having a base in India for manufacturing, global sourcing and engineering. The domestic demand will continue to grow due to a pent up demand on account of a prolonged slow down. The Tractor Industry expects a strong growth in the Year 2020-21 due to good amount of rainfall, increase of Minimum Support Prices, credit availability and a, positive farm sentiment.

### Risks and Concerns

The Company's growth is linked to growth of the Automobile Sector which is cyclical in nature. This cyclical nature might affect the demand ultimately has an effect on the order book of the Company. However the Company is focusing towards export orders and non-automotive business to counter the risk.

Our margin and cost effectiveness may be affected due to change in the prices of raw materials, power and other input costs which can significantly impact the profitability. Careful monitoring of the above cost can be very encouraging.

### Discussion on Financial Performance with respect to operational performance

During the year the Company recorded Revenue from operations by way of Sales of Rs. 12,584.07 lakhs as against Rs. 19,044.07 lakhs in the FY 2018-19, a decrease of about 34% in sales value. During the year Company has suffered a loss of Rs. 468.42 lakhs, whereas previous year 2018-19 Company has registered a profit of Rs. 676.54 lakhs.

### KEY FINANCIAL RATIOS

Sl.No.	Particulars	2019-20	2018-19
1	Debtors Turnover	5.14	5.86
2	Inventory Turnover	1.27	1.99
3	Interest Coverage Ratios	1.07	2.50
4	Current Ratio	1.20	1.17
5	Debt Equity Ratio	0.57	0.54
6	Operating Profit Margin (%)	2.87	12.06
7	Net Profit Margin (%)	(3.71)	3.53
8	Return on Net Worth( %)	(3.37)	4.69

1. The change in Inventory Turnover Ratio is due to reduction in sales. The sales have been impacted due to slowdown in the auto industry.
2. Interest coverage ratio is at 1.07 as compared to 2.50 of previous year. This is because EBITDA (Earnings before Interest, taxes, depreciation and amortization) has come down due to decrease in sales.
3. The change in Operating Profit margin, Net Profit Margin and Return on Net Worth is due to drastic fall down of sales and the slowness of the Automobile market.

**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, 2020 was 957 (including trainees, employees on contract).

**Cautionary Statement:**

Statements in the Management's Discussions and Analysis report describing the Company's objectives, 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****CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS**

(Pursuant to Regulation 34(3) and Schedule V Para-C clause 10(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To  
The Board of Directors  
**M/s.LOKESH MACHINES LTD**  
B-29, EEIE, Stage II,  
Balanagar, Hyderabad, Telangana - 500037

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of Lokesh Machines Limited having CIN L29219TG1983PLC004319 and having registered office situated at B-29, EEIE, Stage II, Balanagar, Hyderabad Telangana- 500037(hereinafter referred to as 'the Company'), produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Company & its officers, we hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on 31st March 2020 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority.

Sl. No.	Name of the Director	DIN	Date of appointment in Company
1	BADHE RATNAM MAHESH	00810019	28/06/1991
2	KISHORE BABU BOLLINENI	00840630	10/05/2002
3	KRISHNA SWAMY KALLAHALLA	00840887	28/07/1995
4	MOHAN REDDY RAKASI	00841038	27/09/2006
5	SRIKRISHNA MULLAPUDI	00841388	01/10/2005
6	SRINIVAS MULLAPUDI	00917565	01/10/2005
7	LOKESWARA RAO MULLAPUDI	00989447	17/12/1983
8	DORAIRAJAN BALAJI	01872392	14/08/2019

Ensuring the eligibility for appointment and continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place: Hyderabad  
Date : 28th August, 2020

**L. Dhanamjaya Reddy**  
Practicing Company Secretary  
Membership No.: 13104  
CP No- 3752  
UDIN:A013104B000628501

**Annexure-D**  
**FORM NO. MR-3**  
**SECRETARIAL AUDIT REPORT**

For the Period from 01.04.2019 to 31.03.2020

[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 and  
Regulation 24A of SEBI (LODR) Regulations, 2015]

To  
The Board of Directors  
**M/s.LOKESH MACHINES LTD**  
B-29, EEIE, Stage II,  
Balanagar, Hyderabad, Telangana - 500037

We have conducted the Secretarial Audit on the compliance of applicable statutory provisions and the adherence to good corporate practices by **M/s. 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 from 1st April, 2019 to 31st March, 2020 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:

1. We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the Period from 1st April, 2019 to 31st March, 2020 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 there under;
  - iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
  - iv. Foreign Exchange Management Act, 1999 and the Rules and Regulations made there under;
  - 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 (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015.
    - b. The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
    - c. The SEBI (Prohibition of Insider Trading) Regulations, 2015
    - d. The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018
    - e. The SEBI (Share Based Employee Benefits) Regulations, 2014 (Not applicable to the Company during the Audit period)
    - f. The SEBI (Issue and Listing of Debt Securities) Regulations, 2008 (Not applicable to the Company during the Audit period)
    - g. The SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client.



- h. The SEBI (Delisting of Equity Shares) Regulations, 2009 (Not applicable to the Company during the Audit period)
- i. The SEBI (Buyback of Securities) Regulations, 2018 (Not applicable to the Company during the Audit period)
- vi. The Payment of Wages Act, 1936
- vii. Minimum Wages Act, 1948
- viii. Employees Provident Fund And Misc. Provisions Act, 1952
- ix. Employees State Insurance Act, 1948
- x. Electricity Act, 2003
- xi. Payment of Gratuity Act, 1972
- xii. Employee's Compensation Act, 1923
- xiii. The Payment of Bonus Act, 1965
- xiv. Contract Labour (Regulation & Abolition ) Act 1970
- xv. Employment Exchange (Compulsory Notification of Vacancies) Act, 1959
- xvi. Income Tax Act, 1961
- xvii. GST Act and Rules made there under
- xviii. The Insurance Act, 1938 [as amended by insurance (amendment) act, 2002]
- xix. The Factories Act, 1948 and rules made thereunder.
- xx. Water (Prevention & Control of Pollution) Act 1974 and rules there under.
- xxi. Air (Prevention & Control of Pollution) Act 1981 and rules there under.
- xxi. The Environment (Protection) Act, 1986
- xxii. Hazardous Wastes (Management, Handling and Trans boundary Movement) Rules, 2016.
- xxiv. Customs Act, 1962
- xxv. HMC Act, 1955
- xxvi. Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013
- xxvii. Secretarial Standards issued by The Institute of Company Secretaries of India.

We have also examined compliance with the applicable clauses of the Secretarial Standards issued by The Institute of Company Secretaries of India and the SEBI (Listing Obligation & Disclosure Requirements) Regulations, 2015 as amended 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 from time to time and the Memorandum and Articles of Association of the Company, with regard to:
  - ⌘ Closure of the Register of Members.
  - ⌘ Forms, returns, documents and resolutions required to be filed with the Registrar of Companies and the Central Government;

- ⌘ Service of documents by the Company to its Members, Auditors and the Registrar of Companies;
  - ⌘ Adequate notice is given to all directors to schedule the Board Meetings and agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
  - ⌘ Maintenance of various statutory registers and documents and making necessary entries therein has been done as per the Companies Act, 2013;
  - ⌘ 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 except in the following instance:- **No woman director on the Board as on the financial year ended 31st March, 2020**
  - ⌘ Minutes of proceedings of General Meetings and of the Board and its Committee meetings;
  - ⌘ Approvals of the Members, the Board of Directors, the Committees of Directors and the government authorities, wherever required;
  - ⌘ Transfer of certain amounts as required under the Act to the Investor Education and Protection Fund and uploading of details of unpaid and unclaimed dividends on the websites of the Company and the Ministry of Corporate Affairs;
  - ⌘ Constitution of the Board of Directors / Committee(s) of Directors, appointment, retirement and reappointment of Directors including the Managing Director and Whole-time Directors;
  - ⌘ Payment of remuneration to Directors including the Managing Director and Whole-time Directors,
  - ⌘ Appointment and remuneration of Statutory Auditor, Cost Auditor and Secretarial Auditors.
  - ⌘ Declaration and payment of dividends; - Not Applicable
  - ⌘ Borrowings and registration, modification and satisfaction of charges wherever applicable;
  - ⌘ Investment of the Company's funds including investments and loans to others; - Not Applicable
  - ⌘ Format of balance sheet and statement of profit and loss is as per Schedule III of Companies Act, 2013 read with Companies (Indian Accounting Standard (Ind AS) Rules 2015;
  - ⌘ Report of the Board of Directors as per sec 134 of the Companies Act 2013;
  - ⌘ A separate meeting of Independent director was held during the year as per the provisions of the Companies Act, 2013;
  - ⌘ The Directors have complied with the disclosure requirements in respect of their eligibility of appointment, their being independent and compliance with the Code of Conduct for Directors and Management Personnel.
3. We further report that:
- ⌘ The Company has complied with the requirements under the equity listing agreements entered into with BSE Limited, National Stock Exchange of India Limited;
  - ⌘ The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2011; including the provisions with regard to disclosures and maintenance of records required under the said Regulations;

- ⌘ The Company has complied with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 as amended including the provisions with regard to disclosures and maintenance of records required under the said Regulations;
  - ⌘ 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;
  - ⌘ There was no prosecution initiated and no fines or penalties were imposed during the period 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.
4. We Further Report That:
- ⌘ The Company is not regular in depositing statutory dues including provident fund, employee's state insurance, wages, bonus, gratuity, income tax, sales tax, service tax, Duty of customs, cess and all other statutory dues with the appropriate authorities under Relevant Act's and filing returns there under.
  - ⌘ The Company is regular in publishing Audited and Unaudited Financial Results.
  - ⌘ The Company has filed return under Employment Exchange Act/Rules
  - ⌘ The Company has not renewed the Policy for Gratuity under Payment of Gratuity Act,1972
  - ⌘ The Company Website is well acquainted with all the statutory required information.
  - ⌘ The company has filed integrated return under The Factories Act, 1948 and other Labour Laws for the financial year ending 31st March, 2020
5. 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.
6. We further Report that during the audit period the Company has:
- ⌘ No Public /Right/Preferential Issue of Shares/Debentures/Sweat Equity etc.,
  - ⌘ No buy back of shares
  - ⌘ No major Decision taken by the members in pursuance of Section 180 of the companies Act, 2013;
  - ⌘ No Merger/Amalgamation/Reconstruction, etc.,
  - ⌘ No Foreign Technical Collaborations;

**Important Note:** Due to Covid-19 pandemic, Secretarial Audit for this Financial Year ended 2020 was conducted through exchange of e-mails and using technology on sample basis. Since, visiting of company's Factories was not possible due to the current pandemic situation, I have relied on the Certificate of compliance from the respective plant heads of the company.

Date: 28.08.2020  
Place: Hyderabad

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

**L. Dhanamjaya Reddy**  
(Proprietor)  
M.No.: 13104  
CP. No.3752  
UDIN : A013104B000628554

Note: our report should be read along with the annexure

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**ANNEXURE**

To  
The Board of Directors  
M/s.LOKESH MACHINES LTD  
B-29, EEIE Stage - II,  
Balanagar, Hyderabad - 500037 Telangana.

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

1. Maintenance of secretarial records 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 regulation 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: 28.08.2020  
Place: Hyderabad

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

**L. Dhanamjaya Reddy**  
(Proprietor)  
M.No.: 13104  
CP. No.3752  
UDIN : A013104B000628554

## Annexure-E

### CORPORATE SOCIAL RESPONSIBILITY

For the Financial Year Ended 31st March 2020

#### 1. Corporate Social Responsibility Policy Overview

The Company has framed its CSR policy in compliance with the provisions of the Companies Act, 2013 and the same is placed in the Company's website at the web link: <http://lokeshmachines.com/>. The policy is duly approved by the Board of Directors.

#### 2. Composition of CSR Committee

- |    |                      |            |
|----|----------------------|------------|
| 1. | Mr. B.R Mahesh       | - Chairman |
| 2. | Mr. R. Mohan Reddy   | - Member   |
| 3. | Mr. M. Lokeswara Rao | - Member   |
| 4. | Mr. M. Srinivas      | - Member   |
| 5. | Mr M. Srikrishna     | - Member   |

#### 3. Approach to CSR

The guiding principles of CSR programmes of the Company is in compliance with CSR Policy which is in align with the applicable Sections read with Rules, along with Schedule VII of Companies Act, 2013 as amended.

#### 4. Average Net Profit and prescribed CSR expenditure:

The average net profit and prescribed CSR expenditure is as detailed below:

Particulars	Rs. in Lakhs
Average Net Profit for last three financial years	692.63
Prescribed CSR expenditure 2% of Average Net Profit of the last three financial years	13.85

Details of CSR spent during the financial year 2019-20:

Particulars	Rs. in Lakhs
Total amount spent during the year	13.87
Amount unspent, if any	NIL

**ANNEXURE- E TO THE BOARD'S REPORT - (Contd.)**

5. Manner in which the amount spent during the Financial year 2019-20 is detailed below:

SL. No.	CSR Project or Activity Identified	Sector in which the project is covered	Locations	Amount Spent on the Project or Programs (Rs. in Lakhs)	Cumulative Expenditure upto reporting period (Rs. in Lakhs)	Amt. spent Directly or through implementing Agency
1	Construction of school room	Literacy, promoting education	Ravalkol, Medchal mandal, Rangareddy	6.50	6.50	Direct
2	Donation of vehicle to Akshya Patra for carrying of free foods	Eradication of Hunger	Hyderabad	4.54	4.54	Direct
3	Donation of vehicle to panchayat for disposal of garbage	Sanitation, Environmental sustainability, Rural Upliftment,	Bonthapally, Sangareddy District	2.83	2.83	Direct

6. In case the Company has failed to spend the two percent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board Report.	Not Applicable
7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR activities is in compliance with CSR objectives and Policy of the Company.	The implementation and monitoring of the CSR activities is in compliance with CSR objectives and Policy of the Company.

Place: Hyderabad  
Date: 29<sup>th</sup> July, 2020

**Mr. B.R. Mahesh**  
Chairman  
CSR Committee

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## 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.

Presently The Company's Board of Directors comprises of 9 directors. Four are Executive Directors and Three Are Independent Directors and two Non-Executive Directors. However as on 31st March, 2020 Company's Board consists of 8 directors only. Woman director was not there on Company's Board. W.e.f 18th June, 2020 Ms. M. Likhitha was appointed as woman director (Non-Executive, Non-Independent) of the Company to serve on Company's Board.

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.

Mr. M. Lokeswar Rao, Mr. M. Srinivas, Mr. B. Kishore Babu, Mr. M. Sri Krishna and Ms. M. Likhitha are related to each other. There is no inter-se relationship among the other directors of the Company.

During the year under review, five Board Meetings were held on 13th May, 2019, 25th May, 2019, 14th August 2019, 12th November, 2019 and 13th February, 2020.

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	05	03	Yes	3	NIL	Nil
B. Kishore Babu DIN : 00840630	Promoter- Executive Director	05	02	Yes	3	1	Nil
M. Srinivas DIN : 00917565	Promoter Executive Director	05	04	Yes	1	1	Nil
M. Srikrishna DIN : 00841388	Promoter- Executive Director	05	02	Yes	1	Nil	Nil
K. Krishna Swamy DIN : 00840887	Promoter,Non- Executive Director	05	02	No	Nil	Nil	Nil
B. R. Mahesh DIN :00810019	Independent Non- Executive Director	05	05	Yes	4	Nil	Nil
R. Mohan Reddy DIN : 00841038	Independent Non- Executive Director	05	05	Yes	3	3	1
D. Balaji DIN : 08172392	Independent Non- Executive Director	06	02	No	1	Nil	Nil

Information on Directors appointment / re-appointment as required under the SEBI (LODR) Regulations 2015 with stock exchanges is given in the Explanatory 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.

The Board confirms that, in the opinion of the Board, the Independent of the company fulfilled the conditions as specified in SEBI (LODR) Regulations, 2015 and are Independent of the Management.

During the FY 2019-20 Mr. A. Vijay Kumar, Independent Director of the Company has been resigned from the Board w.e.f. 28/02/2020 due to his preoccupation; There is no other material reasons other than the reason as mentioned in his resignation letter. The Company has intimated the same about the resignation of Mr. A. Vijay Kumar, Independent Director of the Company to both the Stock Exchanges under Reg. 30 of SEBI (LODR), 2015.



**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. Their presence on the board is advantageous and fruitful in taking business decisions.

**SKILLS, EXPERTISE AND COMPETENCIES OF THE BOARD:**

The Board of Directors has, based on the recommendations of the Nomination and Remuneration Committee ('NRC'), identified the following core skills/ expertise/ competencies of Directors as required in the context of business of the Company for its effective functioning: The Board as a whole possesses the identified skills, expertise and competencies as are required in the context of business of the Company. These are presented as a matrix below:

Areas / Fields	Skills / Competence / Expertise
Financial Management	Proficiency in Financial Management, Practical knowledge and experience in Corporate Finance, accounting and reporting and internal financial controls
Business Development	Understanding diverse business environments, with a broad perspective of Indian and global business opportunities.
Sales and Marketing	Understanding Domestic and International automobile businesses.
Leadership/Strategy	Leadership experience in managing companies and associations including general management, leadership roles in large businesses, with competencies around strategy development & implementation, business administration/ operations and people management.
Industry and Technology	Possessing industrial, technical and operational expertise and experience in machinery, automobile and emerging technologies and associations with industrial bodies.
Governance/Regulatory	Having insight into maintaining effective Board and Management relationship, Protecting Stakeholders Interest/ Strong expertise and experience in regulatory compliance.

In terms of the requirement of the SEBI Listing Regulations, the individual skills, experience, competency and expertise of each of the Directors of the Company is mapped to the core skills/ expertise/competencies of the Directors already identified by the Board, as furnished above, in the context of the Company's business for effective functioning and as available with the Board:

The Company follows structural orientation and familiarisation programme through various internal policies / reports for all the Directors with a view to update them on the Company's policies and procedures on regular basis.

**SKILLS / EXPERTISE / COMPETENCIES IDENTIFIED**

Name of the Director	Financial Management	Business Development	Sales and Marketing	Leadership/ Strategy	Industry and Technology	Governance/ Regulatory
Mr. B.R. Mahesh	✓	✓	✓	✓	✓	✓
Mr. R. Mohan Reddy	✓	✓	✓	✓	✓	✓
Mr. D. Balaji	✓	✓	✓	✓	✓	✓
Mr. K. Krishna Swmay	✓	✓	✓	✓	✓	✓
Mr. M. Lokeswara Rao	✓	✓	✓	✓	✓	✓
Mr. M. Srinivas	✓	✓	✓	✓	✓	✓
Mr. M. Srikrishna	✓	✓	✓	✓	✓	✓
Mr. B. Kishore Babu	✓	✓	✓	✓	✓	✓
Ms. M. Likhitha	✓	✓	✓	✓	✓	✓

**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 Three 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 CFO 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)
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 25th May, 2019; 14th August, 2019; 12th November, 2019 and 13th February, 2020. 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/KMPs.

**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. D. Balaji – Member (Independent and Non-executive Director)

One meeting was held on 14th August, 2019 during the year for the above committee.

**c) Remuneration Policy**

To recommend/review the remuneration package, periodically, to the Executive Directors and the KMPs. 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	Other Allowance	Commission	Total
Mr. M. Lokeswara Rao (Managing Director)	60.00	-	-	60.00
Mr. B. Kishore Babu Executive Director	39.00	-	-	39.00
Mr. M.Srinivas Whole-time Director	39.00	-	-	39.00
Mr. M. Srikrishna Whole-Time Director	39.00	-	-	39.00

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

At present, 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 2019-20 is given below:

**Name of Director Sitting Fees paid(Rs)**

Mr. B R Mahesh	50000
Mr. R Mohan Reddy	50000

**f) Shareholdings of Non Executive Directors as on March 31, 2020:**

Mr. B R Mahesh, Mr. R Mohan Reddy are the Non Executive Independent Directors of the company, do not hold any shares of the Company. Mr. K. Krishna Swamy, Non-Executive Non-Independent director of the Company holds 12,000 shares. Ms. M. Likhitha, Non-executive Non-Independent director of the Board who was appointed w.e.f 18/06/2020 is holding 5,54,190 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 13th February, 2020, 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	0
3	Mr. B Kishore Babu	1	1

**Compliance Officer**

Mr Matru Prasad Mishra, is serving the Company as the Company Secretary cum 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 not received any Complaints during the year. There are no outstanding complaints as on 31st March, 2020.

**VI General Meetings:**

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

Year	AGM	Venue	Date	Time
2016-17	33 <sup>rd</sup>	Jubilee Hills International Centre Near Jubilee Hills Check Post, Road No. 14, Hyderabad-500 033	28/09/2017	11:00 A.M.
2017-18	34 <sup>th</sup>	Jubilee Hills International Centre Near Jubilee Hills Check Post, Road No. 14, Hyderabad-500 033	29/09/2018	3:00 P.M.
2018-19	35 <sup>th</sup>	Jubilee Hills International Centre Near Jubilee Hills Check Post, Road No. 14, Hyderabad-500 033	27/09/2019	10:00 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	Special resolution passed	Summary of the resolution
27-09-2019	6	<ol style="list-style-type: none"> <li>1. Re-appointment of Mr. B.R. Mahesh as Independent Director of the Company for the second term of 5(five) consecutive years</li> <li>2. Re-appointment of Mr. R. Mohan Reddy as Independent Director of the Company for the second term of 5(five) consecutive years.</li> <li>3. Revision in the remuneration of Mr. B. Kishore Babu Whole-time director of the Company.</li> <li>4. Revision in the remuneration of Mr. M. Srinivas Whole-time director of the Company.</li> <li>5. Revision in the remuneration of Mr. M. Srikrishna Whole-time director of the Company.</li> <li>6. Approval for Continuation of Mr. K. Krishna Swamy as Non-Executive Director of the Company.</li> </ol>
29-09-2018	6	<ol style="list-style-type: none"> <li>1. Re-appointment of Mr. M. Lokeswara Rao as Managing Director.</li> <li>2. Re-appointment of Mr. B. Kishore Babu as a Whole-time director.</li> <li>3. Re-appointment of Mr. M. Srinivas as a Whole-time director</li> <li>4. Re-appointment of Mr. M. Srikrishna as a Whole-time director</li> <li>5. Approval for Continuation of current term of Mr. R. Mohan Reddy as Non-Executive Director.</li> <li>6. Approval for Continuation of Mr. K. Krishna Swamy as Non-Executive Director of the Company.</li> </ol>
28-09-2017	No	No Special Resolutions were passed at 33 <sup>rd</sup> AGM.

**Postal Ballot:**

The company has passed resolution for Issue of Convertible Warrants to Promoters/Promoter Group of the Company on Preferential basis through postal ballot during the FY 2019-20. However, neither the Company has received any amount for the said issue nor allotted any Convertible Warrants to any Promoter/Promoter group by virtue of the said passed resolution.

**Special resolutions proposed to be conducted through Postal Ballot:**

None of the businesses proposed to be transacted at the ensuing Annual General Meeting require passing a resolution through Postal Ballot. Any special resolutions by way of Postal Ballot, if required to be passed in the future, will be decided at the relevant time.

**Procedure for Postal Ballot:**

The procedure for Postal Ballot shall be as per the provisions contained in this behalf in the Companies Act, 2013 and Rules made there under, viz., Companies (Management and Administration) Rules, 2014 and any amendments thereof from time to time. Electronic voting facility has been provided to all members, to enable them to cast their votes electronically. The members had the option to vote either by physical ballot or e-voting.

**Corporate Social Responsibility Committee**

The Board has set up a Corporate Social Responsibility Committee for the Company which decides CSR Policies and activities of the Company. The Committee comprises Mr. B.R. Mahesh, Chairman, Mr. R. Mohan Reddy, Mr. M. Lokeswara Rao, Mr. M. Srinivas and Mr. M. Srikrishna as Members. There was one meeting held on 13th February, 2020 of the Said Committee. The Committee formulated and recommend to the Board, a CSR policy indicating the activity or activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013. The committee also monitors and reviews the CSR policy periodically and attends to such other matters and functions as may be prescribed from time to time.

**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 2019-20 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 behaviors, 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 2020.

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

During the financial year 2019-20, the Company has not issued any GDRs/ADRs / shares / warrants. There has been no change in the Paid-up capital of the Company during the said Financial Year 2019-20. There is no non-compliance of any of the Corporate Governance report as required under SEBI LODR, 2015 except non-appointment of woman director on the Board within specified timeline.

Due to Covid-19 pandemic and country wide lockdown thereby which caused disruption of various operational, administration, official functions of the company, appointment of Woman Director could not happen within the specified time line. However w.e.f. 18/06/2020 Company has appointed Ms. M. Likhitha as Woman Director of the Company.

The necessary disclosures of compliance with Corporate Governance requirements as specified in regulation 17 to 27 and clauses (b) to (i) of sub regulation (2) of regulation 46 of SEBI LODR are complied. The Company complied with all mandatory requirements.

**Certificate from Practicing Company Secretary:**

The Company has received a certificate from the Practicing Company Secretary that none of the directors of the Company have been debarred or disqualified from being appointed as Director by SEBI / MCA/ or any other statutory authority.

The related party transactions policy of the Company is posted on the website of the Company i.e.. [www.lokeshmachines.com](http://www.lokeshmachines.com)

There was no instance of any non-acceptance by the Board of Directors of the recommendations of any Committee of the Board, where it is mandatorily required, during the financial year under review.

**Fees paid to Statutory Auditor on a consolidated basis:**

During 2019-20, Rs.5.00 Lakhs (Rupees Five Lakh only) was paid by the Company to its statutory auditor as shown on the financial statements. Fees paid to the Statutory Auditor of the Company has been provided in the financial statements of the Company has been part of this report. Company has engaged an Independent Statutory Auditor for its Audit Purposes. However, Company is a single entity having no subsidiary or associate at all. So, there are no entities in the network firm / network entity of which Statutory Auditor is a part.

**Sexual Harassment at workplace:**

During the year under review, the Company has not received any complaints in terms of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

**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 (Telegu) within 48 hours of the conclusion of the Board meeting.

The Company's website [www.lokeshmachines.com](http://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.	<b>Registered Office</b>	B-29, EEIE, Stage II, Balanagar, Hyderabad, Telangana- 500037, Phone: (040) 23079310 /311/312 /313
	Date, time and venue of Annual General Meeting	Date and time: 28th September 2020, at 11.00 AM Through Video Conferencing / Other Audio-Visual Means
b.	Financial Calendar (Tentative)	1st April to 31st March
		a) Annual General Meeting: On 28th September, 2020 b) Results for the quarter ending June 30, 2020: 2nd Week of August, 2020 c) Results for the quarter ending September 30, 2020: on or before 2nd Week of November, 2020 d) Results for the quarter ending December 31, 2020: on or before 2nd Week of February, 2021 e) Results for the Year ending March 31, 2021: on or before 30th May, 2021
c.	Date of Book Closure	September 22, 2020 to September 28, 2020 both days inclusive (both days inclusive)

d.	Listing on Stock Exchanges	<p>The Bombay Stock Exchange Limited P.J.Towers, Dalal Street, Mumbai – 400001</p> <p>The National Stock Exchange of India Limited Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400051</p> <p>Annual Listing fees have been paid for both BSE &amp; NSE.</p>
e.	Liquidity	The shares of the company are listed in the BSE and NSE and are frequently traded.
f.	Stock Code	532740 (BSE) LOKESHMACH (NSE)
g.	Dematerialisation of shares and liquidity	<p>The Company's equity shares are available for dematerialization on both the Depositories i.e.</p> <ol style="list-style-type: none"> <li>1. The National Securities Depository Ltd Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parle, Mumbai – 400013</li> <li>2. Central Depository Services (India) Ltd Phiroze Jeejeebhoy Towers, 28<sup>th</sup> Floor Dalal Street, Mumbai – 400023</li> </ol> <p>The International Securities Identification Number (ISIN) allotted to the Company's scrip is ISIN: INE397H01017.</p> <p>99.98% of equity shares are held in dematerialised form as on March 31, 2020.</p>
h	Credit Rating	<p>During the year under review your Company has obtained the Credit Rating from CARE Ratings Limited which is as follows:</p> <p>Long-Term Rating CARE BB+ Stable Short-Term Rating CARE A4</p> <p>Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Regulation") your Company has intimated to the Stock Exchanges the Credit Rating, obtained.</p>
i	Registered Office Address (for correspondence)	B-29, EEIE, Stage II, Balanagar, Hyderabad – 500 037
j	Registrar and Share Transfer Agent's Contact Address	<p>KFin Technologies Pvt. Ltd. (Formerly known as KFinTech Pvt. Ltd.) Kary Selenium Tower B, Plot No.31-32, Gachibowli Financial District, Nanakramaguda, Serilingampally, Hyderabad - 500 032 Phone : +91 40 67161591 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>



k	Share transfer system	SEBI vide its notification No. SEBI/LAD-NRO/GN/2018/24 dated June 08, 2019 notified that except in case of transmission or transposition of securities, requests for effecting transfer of securities shall not be processed unless the securities are held in dematerialized form with a depository and came into effect from April 01, 2019. However, transfer deed(s) once lodged prior to deadline and returned due to deficiency in the document may be re-lodged for transfer even after the deadline of April 01, 2019 as per the clarification made by SEBI vide PR No.:12/2019 dated Mar 27, 2019. Therefore, transfers in physical form for those shares are registered by the Registrar and share Transfer Agents immediately on receipt of completed documents and certificates are issued within 7 days of date of lodgment of transfer. A summary of transfer/transmission of securities if any of the Company is placed at every Stakeholder's Relationship Committee. The Company obtains from a Company Secretary in Practice half- yearly certificate of compliance with the share transfer formalities as required under Regulation 40(9) of SEBI (Listing Obligations & Disclosure Requirement) Regulations 2015 and files a copy of the said certificate with Stock Exchanges.
l	Details of Compliance Officer	<b>Mr. Matru Prasad Mishra</b> Company Secretary and Compliance Officer <b>Lokesh Machines Limited</b> B-29, EEIE Stage-II Balanagar, Hyderabad-500 037, Telangana, India. Phone : (040) 23079310 /311/312 /313 <b>CIN: L29219TG1983PLC004319</b> cosecy@lokeshmachines.com
m	Plant locations	Temple Road, Bonthapally, Medak District, Telangana  B - 25 & 36, EEIE, Stage II, Balanagar, Hyderabad, Telangana B - 15 & 17, EEIE, Stage II, Balanagar, Hyderabad, Telangana Ravalkol village, Medchal Mandal. Rangareddy Distt, Telangana Plot No 41, IDA Balanagar, Hyderabad, Telangana Plot No D260/1, Ranjangaon Industrial Area, MIDC, Shirur, Pune, Maharashtra

**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 Chapter IV of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 which is attached to this report.

**Distribution of shareholding with various categories as on March 31, 2020**

S.No.	Category (Amount)	Numbers of shareholders	% of shareholders	Number of shares	% of shareholding
1.	1 to 5000	9922	84.06	1357472	7.59
2.	5001-10000	919	7.79	772708	4.32
3.	10001-20000	457	3.87	708666	3.96
4.	20001-30000	152	1.29	394804	2.21
5.	30001-40000	76	0.64	273726	1.53
6.	40001-50000	64	0.54	304476	1.70
7.	50001-100000	99	0.84	742183	4.15
8.	100001 & Above	114	0.97	13342735	74.55
	<b>Total</b>	<b>11803</b>	<b>100.00</b>	<b>17896770</b>	<b>100.00</b>

**Shareholding pattern as on March 31, 2020**

Category	No of Shareholders	Total Shares	% of Equity
CLEARING MEMBERS	20	16983	0.09
TRUSTS	1	12000	0.07
RESIDENT INDIVIDUALS	11025	7117960	39.77
H U F	488	364429	2.04
INDIAN FINANCIAL INSTITUTIONS	2	371000	2.07
INDIAN PROMOTERS	20	9012222	50.36
BODIES CORPORATES	115	874125	4.88
IEPF	1	8388	0.05
NON RESIDENT INDIANS	131	119663	0.67
<b>Total</b>	<b>11803</b>	<b>17896770</b>	<b>100</b>

**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 2019-20 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 19	47.90	42.20	47.00	42.20
	May 19	51.00	40.15	51.00	38.80
	Jun 19	49.90	41.25	49.50	40.80
	July 19	47.90	37.65	49.00	37.00
	Aug 19	40.50	32.00	42.85	31.70
	Sep 19	38.15	33.55	38.30	33.25
	Oct 19	37.00	30.35	37.15	30.25
	Nov 19	37.20	33.00	38.00	33.10
	Dec 19	35.95	32.65	36.30	32.25
	Jan 20	38.00	32.30	37.70	31.80
	Feb 20	34.00	22.40	34.30	22.20
	Mar 20	26.20	12.80	25.85	13.00

## 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, 2020

For Lokesh Machines Limited

Place: Hyderabad  
Date: 29<sup>th</sup> July, 2020

**M. Lokeswara Rao**  
Managing Director

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## 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:

We have reviewed the financial statements and the cash flow statements for the Financial year ended on 31st March, 2020 and that to the best of our knowledge and belief these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading 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.

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.

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.

During the Financial Year ended 31st March 2020

- 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: 29/07/2020

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**AUDITORS' CERTIFICATE REGARDING COMPLIANCE OF  
CONDITIONS OF CORPORATE GOVERNANCE**

To

**The Members of  
Lokesh Machines Limited**

We have examined the compliance of conditions of Corporate Governance of Lokesh Machines Limited for the year ended 31st March 2020 stipulated in Chapter IV of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and pursuant to the Listing Agreement of the said company entered with stock exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company to ensure Compliance with the condition of Corporate Governance. It is neither an audit nor an expression of an 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, we certify that the Company has fully complied with all the mandatory conditions of Corporate Governance as stipulated in Chapter IV of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 pursuant to the Listing Agreement of the said company with stock exchanges.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Registrar and Share Transfer Agent.

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

**For K S Rao & CO.**  
Chartered Accountants

Place: Hyderabad.  
Date: 26<sup>th</sup> August, 2020

**(M. Naga Prasadu)**  
Partner  
Membership No. 231388  
UDIN:20231388AAAABN7043

## INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LOKESH MACHINES LIMITED, HYDERABAD.

### Report on the Indian Accounting Standards

#### Opinion

We have audited the accompanying financial statements of LOKESH MACHINES LIMITED ("the company"), which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date, and a summary of the significant accounting policies and other explanatory information (herein after referred to as "the financial statements")

In our opinion and to the best of our information and according to the explanations given to us the accompanying financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standard) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, the profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

#### Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditors responsibility for the Audit of Financial Statements section of our report. We are independent of the company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of financial statements under the provisions of the Act and the Rules made there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

#### Key Audit Matters

Key Audit matters are those matters that in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit matter	Auditor's Response
<p><b>Valuation of inventory</b></p> <ul style="list-style-type: none"> <li>• Inventory forms a significant part i.e. 35% of the Company's total assets.</li> <li>• Inventory comprises of Raw Materials, Finished Goods, Stock in Process and Stores and Spares.</li> <li>• Inventories are valued at lower of cost and net realisable value(NRV)</li> <li>• Valuation of inventories can be subjective due to inherent uncertainty due to volatility in prices of raw material and volatility in prices of finished goods due to changes in consumer demands</li> </ul>	<p><b>Our Procedures included</b></p> <p>We have reviewed the stock records and held discussion with the management. We verified the arithmetical accuracy of valuation records/ reports.</p> <p>Obtaining understanding of production process and testing of key controls over recognition and measurement of inventory.</p> <p>For a sample of inventory items we have verified that the weighted average cost calculation by the system in case inventory is appropriate.</p>

<ul style="list-style-type: none"> <li>• Determination of whether inventory will be realized for value less than cost requires management to exercise judgement and apply assumption</li> <li>• Because of size, inherent uncertainty in volatility in prices of raw material, assumption and complexities involved in inventory valuation, this is considered key audit matter</li> </ul>	<p>Assessing reasonableness of assumption and judgements applied by management in inventory valuation including evaluating consistencies with management's prior period estimation.</p> <p>Assessing appropriateness of NRV estimated by management, on sample basis, by comparing NRV to recent market prices.</p>
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### Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

### 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 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 Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act read with relevant rules issued there under and other accounting principles generally accepted in India.

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 the 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from



fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**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 the paragraph 3 and 4 of the Order, to the extent applicable.
- 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, statement of changes in equity and the cash flow statement dealt with by this Report are in agreement with the books of account,
  - d) In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act.
  - e) On the basis of written representations received from the directors as on 31st March, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2020 from being appointed as a director in terms of Section 164(2) of the Act,
  - f) With respect to the adequacy of internal financial controls over financial reporting of the Company with reference to these financial statements and the operating effectiveness of such controls, refer to our separate report in "Annexure B".
  - g) In our opinion, the managerial remuneration for the year ended 31 March 2020 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;
  - h) 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 disclosed the impact of pending litigations on its financial position in its standalone financial statements.
    - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;
    - 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

**(M. Naga Prasadu)**  
Partner

Membership No. 231388

UDIN: 20231388AAAABG9030

Place: Hyderabad.  
Date: 29<sup>th</sup> July, 2020

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**ANNEXURE-A TO THE AUDITORS' 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, for the year ended March 31,2020.,

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.
    - a. 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 explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Act, with respect to the loans and investments made.
  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 and there are no arrears of outstanding statutory dues as at March 31, 2020 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 has not raised any moneys by way of initial public offer or further public offer (including debt instruments). The Term loans availed was applied for the purposes for which those are raised.
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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 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 Registration No. 003109S)

Place: Hyderabad.  
Date: **29.07.2020**

**(M. Naga Prasadu)**  
Partner  
Membership No. 231388  
UDIN: 20231388AAAABG9030

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## ANNEXURE-B TO THE INDEPENDENT AUDITORS' REPORT

### Report on the Internal Financial Controls over Financial Reporting 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 2020 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 Board of directors of the company 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 internal financial controls over financial reporting of the company 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") issued by ICAI and the Standards on Auditing prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 respects.

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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

#### 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 Ind AS 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 Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

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

**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 the policies or procedures may deteriorate.

**Opinion**

In our opinion, to the best of our information and according to the explanations given to us, 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 2019, 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.

Place: Hyderabad.

Date: **29.07.2020**

**For K S Rao & CO.**  
Chartered Accountants  
(Firm's Registration No. 003109S)

**(M. Naga Prasadu)**  
Partner  
Membership No. 231388  
UDIN: 20231388AAAABG9030

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020****1. CORPORATE INFORMATION:**

Lokesh Machines Limited (“the Company”) was incorporated on December 17, 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 29th July, 2020.

**2. BASIS OF PREPARATION:**

These 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 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) Statement of Compliance:**

In accordance with the notification issued by the Ministry of Corporate Affairs, the Company has adopted Indian Accounting Standards (referred to as “Ind AS”) notified under the Companies (Indian Accounting Standards) Rules 2015 with effect from April 01,2016.

**b) 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

**c) 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.

**d) 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



**e) 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.

**f) 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.

**g) Leases:**

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company has adopted Ind AS 116 - Leases, using "Modified retrospective approach" with effect from 1 April 2019 and accordingly these financial statements are prepared in accordance with the recognition and measurement principles laid down in Ind AS 116. Also, the application of Ind AS 116 did not have any significant impact on the financial statements considering the number of assets under operating lease arrangements of the Company.

At the date of commencement of lease, the Company recognises a Right-of-use asset ("ROU") and a corresponding liability for all lease arrangements in which it is a lessee, except for leases with the term of twelve months or less (short term leases) and low value leases. For short term and low value leases, the Company recognizes the lease payment as an operating expense on straight line basis over the term of lease.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate explicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases.

**h) 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.

**i) 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.

**j) 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.

**k) 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.

**l) 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".

**m) 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.

**n) Segment Reporting:**

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

**o) 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.

**p) 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.

**q) 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.

**r) 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.

**s) 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.

**t) 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.

**u) 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.

**v) 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 cash flows 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 cash flows 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.

**BALANCE SHEET AS AT 31st MARCH, 2020**

Rs. in Lakhs

<b>PARTICULARS</b>	<b>Note No.</b>	<b>As at 31.03.2020</b>	<b>As at 31.03.2019</b>
<b>I ASSETS</b>			
<b>1 Non-Current Assets.</b>			
(a) Property, Plant and Equipment	4	9,512.42	10,143.66
(b) Right of use Asset		417.09	0.00
(c) Intangible Assets		30.78	31.38
(d) Capital Wrok-in-Progress		2,577.47	2,477.88
(e) Financial Assets			
(i) Investments	5	150.00	150.00
(ii) Other Financial Assets	6	153.12	161.48
(f) Other Non-Current Assets	7	704.75	1,180.85
(g) Income Tax Assets (net)	8	316.37	36.50
<b>Total Non-Current Assets</b>		<b>13,862.00</b>	<b>14,181.75</b>
<b>2 Current Assets</b>			
(a) Inventories	9	9,919.39	9,570.75
(b) Financial Assets			
(i) Trade Receivables	10	2,881.15	3,845.63
(ii) Cash and Cash Equivalents	11	83.40	102.70
(iii) Other Bank Balances	12	209.57	295.25
(iv) Other Financial Assets	13	67.29	57.06
(c) Other Current Assets	14	753.94	756.26
<b>Total Current Assets</b>		<b>13,914.74</b>	<b>14,627.65</b>
<b>TOTAL ASSETS</b>		<b>27,776.74</b>	<b>28,809.40</b>
<b>II EQUITY AND LIABILITIES</b>			
<b>1 Equity</b>			
(a) Equity Share capital	15	1,789.68	1,789.68
(b) Other Equity	16	12,098.59	12,624.31
<b>Total Equity</b>		<b>13,888.27</b>	<b>14,413.99</b>
<b>2 Liabilities</b>			
<b>Non-Current liabilities</b>			
(a) Financial liabilities			
(i) Borrowings	17	1,388.71	659.77
(b) Deferred tax liabilities (Net)	18	553.93	918.39
(c) Provisions	19	392.38	307.06
<b>Total Non-Current Liabilities</b>		<b>2,335.02</b>	<b>1,885.22</b>
<b>Current liabilities</b>			
(a) <b>Financial liabilities</b>			
(i) Borrowings	20	6,154.60	6,415.40
(ii) Trade payables	21	-	-
a) Total outstanding dues of MSME		-	-
b) Total outstanding dues of other than MSME		2,774.51	3,728.59
(iii) Other Financial liabilities	22	678.22	865.22
(b) Other current liabilities	23	1,946.12	1,500.98
<b>Total Current liabilities</b>		<b>11,553.45</b>	<b>12,510.19</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>27,776.74</b>	<b>28,809.40</b>
<b>Significant Accounting policies and key accounting adjustments &amp; Judgements.</b>	1-44		

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

**M. SRINIVAS**

Whole Time Director

Place: Hyderabad

Date : 29<sup>th</sup> July, 2020**V. SUDHAKARA REDDY**

Chief Financial Officer

**MATRU PRASAD MISHRA**

Company Secretary

**STATEMENT OF PROFIT & LOSS FOR THE PERIOD ENDED 31st MARCH , 2020**

Rs. in Lakhs

<b>PARTICULARS</b>	<b>Note No.</b>	<b>Current Year 31.03.2020</b>	<b>Previous Year 31.03.2019</b>
<b>I INCOME</b>			
Revenue from Operations	24	12,584.07	19,044.07
Other Income	25	42.89	94.75
<b>Total Income</b>		<b>12,626.96</b>	<b>19,138.82</b>
<b>II EXPENSES</b>			
Cost of Material consumed	26	6,260.25	9,821.23
Changes in inventories of finished goods and work in progress	27	(250.67)	4.13
Other Manufacturing expenses	28	1,612.27	2,131.47
Employee benefits expense	29	3,144.23	3,314.71
Financial costs	30	1,174.71	1,289.73
Depreciation and amortization expenses	31	890.00	912.58
Other expenses	32	819.82	1,070.50
		<b>13,650.61</b>	<b>18,544.35</b>
Less : Captive consumption		210.90	424.15
<b>Total Expenses</b>		<b>13,439.71</b>	<b>18,120.20</b>
<b>III Profit before exceptional items &amp; taxes (I-II)</b>		<b>(812.75)</b>	<b>1,018.62</b>
<b>IV Tax Expenses</b>			
- Income Tax -Current		-	310.00
- Deferred Tax		(344.33)	32.08
<b>Total Tax Expenses</b>		<b>(344.33)</b>	<b>342.08</b>
<b>V Profit for the year after taxes (III-IV)</b>		<b>(468.42)</b>	<b>676.54</b>
<b>VI Other Comprehensive income</b>			
i Items that will not be reclassified subsequently to profit or loss		(77.43)	(41.61)
ii Income tax relating to items that will not be reclassified to profit or loss		20.13	13.76
		<b>(57.30)</b>	<b>(27.85)</b>
		<b>(525.72)</b>	<b>648.69</b>
<b>VII Earning per equity share (Amount in Rs.)</b>			
Basic	33	(2.62)	3.78
Diluted		(2.62)	3.78
<b>Significant Accounting policies and key accounting adjustments &amp; Judgements.</b>	1-44		

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

**M. SRINIVAS**

Whole Time Director

Place: Hyderabad

Date : 29<sup>th</sup> July, 2020**V. SUDHAKARA REDDY**

Chief Financial Officer

**MATRU PRASAD MISHRA**

Company Secretary



### Statement of Changes in Equity

#### A. Equity Share Capital

<b>As At April 1, 2019</b>	1,78,96,7700
Changes in equity share capital during the year	0
<b>As at March 31, 2020</b>	<b>1,78,96,7700</b>

#### B. Other Equity (Rupees In Lakhs)

Particulars	Capital Redemption Reserve	Security Premium	General Reserves	Retained Earning	Remeasurement of defined benefit plan	Total
<b>Balance as at April 01, 2019</b>	150.00	7,388.31	425.00	4,682.08	-21.08	12,624.31
Profit for the Year				-468.42		-468.42
Addition during the year						0.00
Total comprehensive income for the year					-57.30	-57.30
<b>Balance as at 31, March, 2020</b>	<b>150.00</b>	<b>7,388.31</b>	<b>425.00</b>	<b>4,213.66</b>	<b>-78.38</b>	<b>12,098.59</b>

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

- i. Capital Redemption Reserve : Created on redemption of preference shares and it can be utilized as per section 63 of the company act.
- ii. Security premium : Premium received on issue of equity shares credited to security premium and it can be utilized as per section 63 of the company act.
- iii. 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 company act.
- iv. Retained earnings: Retained earnings are accumulation of profits earned by the company and it can be utilized as per section 63 of the company act.

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2020**

(Rs. in Lakhs)

Particulars	Year ended 31.03.2020	Year ended 31.03.2019
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before taxes	<b>(812.75)</b>	1,018.62
<b>Adjusted for</b>		
Depreciation	<b>890.00</b>	912.58
Financial charges	<b>1,174.71</b>	1,289.73
Profit on sale of asset	<b>(0.19)</b>	-
Interest Income	<b>(20.50)</b>	(52.86)
Other comprehensive income	<b>(77.43)</b>	(41.61)
<b>Operating profit before working capital changes</b>	<b>1,153.84</b>	3,126.46
<b>Adjustment for changes in</b>		
Decrease/(Increase) in Receivables & Other advances	<b>1,014.82</b>	(824.44)
Decrease/(Increase) in Inventories	<b>(348.64)</b>	5.96
Decrease/(Increase) in Trade and other payables	<b>(401.43)</b>	1,009.64
<b>Cash generated from operations</b>	<b>1,418.59</b>	3,317.62
Direct taxes paid	<b>(279.88)</b>	(199.64)
<b>Net Cash Flow from Operating Activity (A)</b>	<b>1,138.71</b>	3,117.98
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets including CWIP and capital advances	<b>(344.56)</b>	(954.74)
Sale of assets	<b>0.35</b>	-
Interest received	<b>16.28</b>	50.87
Movement in other bank balances	<b>85.68</b>	(122.24)
<b>Net Cash Flow from Investing Activity (B)</b>	<b>(242.25)</b>	(1,026.11)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase/(Decrease) in Bank Borrowings	<b>216.10</b>	(678.55)
Dividend paid (Earlier issued DD's now return back by bank)	<b>(0.70)</b>	2.69
Interest paid	<b>(1,131.16)</b>	(1,448.62)
<b>Net Cash Flow from Financing Activity (C)</b>	<b>(915.76)</b>	(2,124.48)
<b>Net Increase/(Decrease) in Cash/Cash equivalents (A+B+C)</b>	<b>(19.30)</b>	(32.61)
<b>Add: Cash/Cash equivalents at the beginning of the year</b>	<b>102.70</b>	135.31
<b>Cash/Cash equivalents at the end of the year</b>	<b>83.40</b>	102.70

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

**M. SRINIVAS**

Whole Time Director

Place: Hyderabad

Date : 29<sup>th</sup> July, 2020**V. SUDHAKARA REDDY**

Chief Financial Officer

**MATRU PRASAD MISHRA**

Company Secretary

**Notes to the financial statements for the year ended March 31, 2020(Continued)**  
**NOTE 4 - PROPERTY, PLANT AND EQUIPMENT: FOR THE YEAR ENDED MARCH 31, 2020** (Rs. in Lakhs)

Sl. No.	PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		As at 01.04.2019	Additions	Deletions	As at 31.03.2020	Upto 31.03.2019	For the year	Deletions	Upto 31.03.2020	As at 31.03.2020	As at 31.03.2019
<b>A</b>	<b>Tangible Assets</b>										
1)	Freehold Land	1,451.44	-	-	1,451.44	-	-	-	-	1,451.44	1,451.44
2)	Buildings	3,709.29	-	-	3,709.29	943.84	117.42	-	1,061.26	2,648.03	2,765.45
3)	Plant and Equipments	12,421.76	190.36	-	12,612.12	7,350.57	571.54	-	7,922.11	4,690.01	5,071.19
4)	Furniture & Fixtures	94.72	1.78	-	96.50	83.54	3.07	-	86.61	9.89	11.18
5)	Vehicles	431.13	22.55	3.16	450.52	281.32	46.99	3.00	325.31	125.21	149.81
6)	Misc.Equipment	2,185.73	12.41	-	2,198.14	1,516.37	120.28	-	1,636.65	561.49	669.36
7)	Office Equipment	72.31	11.65	-	83.96	68.62	2.84	-	71.46	12.50	3.69
8)	Computers	316.08	4.38	-	320.46	294.54	12.07	-	306.61	13.85	21.54
	<b>Total</b>	<b>20,682.46</b>	<b>243.13</b>	<b>3.16</b>	<b>20,922.43</b>	<b>10,538.80</b>	<b>874.21</b>	<b>3.00</b>	<b>11,410.01</b>	<b>9,512.42</b>	<b>10,143.66</b>
<b>B</b>	<b>Right of Use Asset (Land)</b>										
		323.41	99.32	-	422.73	-	5.64	-	5.64	417.09	323.41
		<b>323.41</b>	<b>99.32</b>	<b>-</b>	<b>422.73</b>	<b>-</b>	<b>5.64</b>	<b>-</b>	<b>5.64</b>	<b>417.09</b>	<b>323.41</b>
<b>C</b>	<b>In tangible Assets</b>										
	Computer software	79.94	9.54	-	89.48	48.56	10.14	-	58.70	30.78	31.38
		<b>79.94</b>	<b>9.54</b>	<b>-</b>	<b>89.48</b>	<b>48.56</b>	<b>10.14</b>	<b>-</b>	<b>58.70</b>	<b>30.78</b>	<b>31.38</b>
	<b>Total</b>	<b>21,085.81</b>	<b>351.99</b>	<b>3.16</b>	<b>21,434.65</b>	<b>10,587.36</b>	<b>889.99</b>	<b>3.00</b>	<b>11,474.35</b>	<b>9,960.29</b>	<b>10,496.45</b>
<b>D</b>	<b>March 31,2019 Capital work in progress</b>	20,525.43	236.97	152.46	20,762.40	9,674.78	912.58	-	10,587.36	10,175.04	2,477.88
		2,477.88	252.05	-	2,577.47	-	-	-	-	2,577.47	-

## Notes to the Financial Statements for the Year ended 31st March, 2020.

## NOTE 5 - INVESTMENTS-NON CURRENT

Rs. In Lakhs

Particulars	As At 31.03.2020	As At 31.03.2019
<b>Investment in equity shares (Un-Quoted)</b>		
a) 5,00,000 Equity shares of Rs.10/- each in M/s MLR Motors Ltd	50.00	50.00
b) 5,00,000 Equity shares of Rs.20/- each in M/s MLR Auto Ltd	100.00	100.00
<b>Total</b>	<b>150.00</b>	<b>150.00</b>

## NOTE 6 - LOANS AND ADVANCES -NON CURRENT

<b>(Un secured - considered good)</b>		
Security Deposites	153.12	161.48
<b>Total</b>	<b>153.12</b>	<b>161.48</b>

## NOTE 7 - OTHER FINANCIAL ASSETS - NON CURRENT

<b>(Un secured - considered good)</b>		
a. Advance for purchase of Capital Goods	585.32	692.34
b. Advance for Capital Purchases	119.43	165.10
c. Land Lease Rental	-	323.41
<b>Total</b>	<b>704.75</b>	<b>1,180.85</b>
Capital advances includes Rs.583.81 lakhs(Previous year Rs. 690.62 lakhs) given to the group companies towards purchase of Land and Machinery.		

## NOTE 8 - OTHER FINANCIAL ASSETS-NON CURRENT

<b>(Un secured - considered good)</b>		
Income Tax Asset (Net)	316.37	36.50
<b>Total</b>	<b>316.37</b>	<b>36.50</b>

## NOTE 9 - INVENTORIES

<b>(At cost and certified by the Management)</b>		
a) Raw Materials & Components	1,816.93	1,718.96
b) Finished Goods	645.52	565.25
c) Work-in-Progress	7,456.94	7,286.54
<b>Total</b>	<b>9,919.39</b>	<b>9,570.75</b>
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, 2020.

**NOTE 10 -TRADE RECEIVABLES**

Rs. In Lakhs

Particulars	As At 31.03.2020	As At 31.03.2019
<b>Trade Receivables</b>		
i) Trade Receivables considered good -secured	-	-
ii) Trade Receivables considered good -un secured	2,881.15	3,845.63
iii) Trade Receivables which have significant increase in risk	-	-
iv) Trade Receivables -Credit impaired	-	-
<b>Total</b>	<b>2,881.15</b>	<b>3,845.63</b>

Other receivables include Rs. 314.87 Lakhs (Previous Year Rs. 314.87 Lakhs) due from group companies.

**NOTE 11 - CASH AND CASH EQUIVALENTS**

(a) Balances with banks: Current accounts	80.77	100.56
(b) Cash on hand	2.63	2.14
<b>Total</b>	<b>83.40</b>	<b>102.70</b>

**NOTE 12 - OTHER BANK BALANCES**

Un paid Dividends	3.03	3.94
Margin Money Deposits (On LC's and BG's)	206.54	291.31
<b>Total</b>	<b>209.57</b>	<b>295.25</b>

**NOTE 13 - OTHER FINANCIAL ASSETS - CURRENT**

<b>(Un secured - considered good)</b>		
Interest accrued on deposits	41.20	36.98
Other advances	26.09	20.08
<b>Total</b>	<b>67.29</b>	<b>57.06</b>

**NOTE 14 - OTHER CURRENT ASSETS**

<b>(Un secured - considered good)</b>		
Advances against Materials and services	616.30	643.39
Balance with GST authorities	76.97	94.43
Prepaid expenses	60.67	18.44
<b>Total</b>	<b>753.94</b>	<b>756.26</b>

## Notes to the Financial Statements for the Year ended 31st March, 2020.

## NOTE 15 - EQUITY SHARE CAPITAL

Rs. In Lakhs

Particulars	As At 31.03.2020	As At 31.03.2019
<b>a. Authorised Share Capital</b> 2,00,00,000 Equity Shares of Rs.10 each	<b>2,000.00</b>	2,000.00
	<b>2,000.00</b>	2,000.00
<b>b. Issued, Subscribed and Paid-Up</b> 1,78,96,770 Equity Shares of Rs.10 each	<b>1,789.68</b>	1,789.68
<b>Total</b>	<b>1,789.68</b>	1,789.68
<b>c. Reconciliation of the shares outstanding at the beginning and the end of respective years:</b>		
No. of shares at the beginning of the year	<b>1,78,96,770</b>	1,78,96,770
Issued during the year	<b>0.00</b>	0.00
No. of shares at the end of the year	<b>1,78,96,770</b>	1,78,96,770
<b>d.</b> 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.		
<b>e.</b> 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.		
<b>f. Details of Share Holders holding more than 5% of shares in the Company.</b>		
M.Vijayalakshmi - In Nos.	<b>1,716,586</b>	1,794,913
- In %	<b>9.59</b>	10.03
M.Srinivas - In Nos.	<b>1,921,615</b>	1,921,615
- In %	<b>10.74</b>	10.74
M.Srikrishna - In Nos.	<b>1,851,488</b>	1,812,271
- In %	<b>10.35</b>	10.13
B.Kishore babu - In Nos.	<b>1,087,009</b>	1,087,009
- In %	<b>6.07</b>	6.07

## Notes to the Financial Statements for the Year ended 31st March, 2020.

## NOTE 16 - OTHER EQUITY

Rs. In Lakhs

Particulars	As At 31.03.2020	As At 31.03.2019
<b>(a) Capital Redemption Reserve</b> At the beginning and at the end of the year	150.00	150.00
<b>(b) Securities Premium Reserve</b> At the beginning of the year	7,388.31	7,388.31
<b>(c) General Reserve</b> At the beginning and at the end of the year	425.00	425.00
<b>(d) Surplus in Statement of Profit &amp; Loss</b> At the beginning of the year	4,682.08	4,005.54
Profit for the year	(468.42)	676.54
	4,213.66	4,682.08
Appropriations:		
Less: Equity Dividend	-	-
Corporate Dividend Tax	-	-
Closing Balance	4,213.66	4,682.08
<b>(e) Other Comprehensive Income</b> On Actuarial Gain/(loss) on post employment benefits		
At the beginning of the year	(21.08)	6.77
Add: Additions for the year	(57.30)	(27.85)
At the end of the year	(78.38)	(21.08)
<b>Total</b>	<b>12,098.59</b>	<b>12,624.31</b>

## NOTE 17 - BORROWINGS -NON CURRENT

<b>1 Term Loans from Banks</b>		
a) State Bank of India	-	86.62
b) ICICI Bank	918.65	-
<b>2 Term Loans from other parties</b>		
c) Mahindra & Mahindra Finance Ltd	395.24	434.99
d) Electronica Finance Ltd	-	35.24
Total	1,313.89	556.85

1 The Loans referred at (a) above are secured by 1st pari-passu charge by hypothecation Plant & Machinery, created out of bank finance for set up of connecting rodline 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, 2020.

Rs. In Lakhs

Particulars	As At 31.03.2020	As At 31.03.2019	
2 The Loans referred at (b) above are secured by 1st pari-passu charge by hypothecation of land & Buildings at Toopran, Part -A, Industrial park, and guaranteed by Managing Director and other two promoter directors.			
3 The Loans referred at (c) & (d) 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.			
<b>Terms of Repayments</b>			
	Sanction date	Sanction date	No of Installments
a) State Bank of India (Quarterly repayment)	25.07.2012	12.65%	28
b) ICICI (Monthly repayment)	18.02.2020	9.75%	180
<b>II Vehicle Hire Purchase Loans</b>	74.82	102.92	
<b>Total</b>	<b>74.82</b>	<b>102.92</b>	
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.			
<b>Total (I+II)</b>	<b>1,388.71</b>	<b>659.77</b>	

## NOTE 18 - DEFERRED TAX LIABILITIES (NET)

	As at 31.03.2020	Recognised in statement of profit & loss	Recognised in other Comprehensive income	As at 31.03.2019
<b>Deferred tax liability</b>				
Property, Plant & Equipment & Intangible assets	822.50	(210.37)	-	1,032.87
Gross Deferred Tax liability	<b>822.50</b>	<b>(210.37)</b>	-	<b>1,032.87</b>
<b>Deferred tax asset</b>				
a. Employee Benefits & Statutory liabilities allowed on payment basis	102.02	32.59	(20.13)	114.48
b. Unused Tax Losses	166.55	(166.55)		
<b>Gross Deferred Tax Asset</b>	<b>268.57</b>	<b>(133.96)</b>	<b>(20.13)</b>	<b>114.48</b>
<b>Net Deffered Tax Liability/Asset</b>	<b>553.93</b>	<b>(344.33)</b>	<b>(20.13)</b>	<b>918.39</b>



## Notes to the Financial Statements for the Year ended 31st March, 2020

## NOTE 19 - PROVISIONS - NON CURRENT

Rs. In Lakhs

Particulars	As At 31.03.2020	As At 31.03.2019
<b>(a) Provision for employee benefits</b>		
Gratuity	319.13	212.17
Leave Encashment	73.25	94.89
<b>Total</b>	<b>392.38</b>	<b>307.06</b>

## NOTE 20 - BORROWINGS - CURRENT

<b>Working Capital Loans -Secured</b>		
<b>a. Cash Credit from Banks</b>		
State Bank of India	3,844.10	3,861.32
Punjab National Bank	1,031.25	1,030.33
Indusind Bank	905.38	1,074.49
<b>b. Corporate loans from Companies</b>	<b>373.87</b>	<b>449.26</b>
<b>Total</b>	<b>6,154.60</b>	<b>6,415.40</b>
<b>1 Working capital limits from consortium banks are secured by way of :</b>		
i) <b>Primary</b> : 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) <b>Collateral</b> : (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>2</b> For corporate loans the company has given personal guarantee of the directors by way of pledge of shares		

## NOTE 21 - TRADE PAYABLES - CURRENT

For supplies and Services		
a) Total outstanding dues of MSME		
b) Total outstanding dues of other than MSME	2,774.51	3,728.59
a) Principal Amount Due	-	-
b) Interest due on above	-	-
c) Amount of interest paid in terms of section 16 of the MSMED Act,2016	-	-
d) Amount of interest due and payable for the period off delay	-	-
e) Amount of interest accrued and remaining unpaid as at year end	-	-
f) Amount of further interest remaining due and payable in the succeeding year	-	-
g) Total outstanding dues other than MSME		
<b>Total</b>	<b>2,774.51</b>	<b>3,728.59</b>

According to the information available with Management, on the basis of intimation received from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act), the Company has no amounts due to micro and small enterprises under the said Act as at March 31st, 2020.

## Notes to the Financial Statements for the Year ended 31st March, 2020.

**NOTE 22 - OTHER FINANCIAL LIABILITIES - CURRENT**

Particulars	As At 31.03.2020	As At 31.03.2019
<b>Current maturities of long term borrowings</b>		
Punjab National Bank	-	21.37
State Bank of India	127.41	160.00
ICICI Bank	66.67	0.00
Vehicle hire purchase loans	40.97	35.31
Mahindra & Mahindra Finance Ltd	111.47	372.98
Electrinica Finance Ltd	39.86	48.76
<b>Total</b>	<b>386.38</b>	<b>638.42</b>
Interest accrued and due on borrowings	58.04	14.49
Capital creditors	29.04	22.53
Unpaid dividend	3.00	3.70
Salary & Reimbursements	201.76	186.08
<b>Total</b>	<b>291.84</b>	<b>226.80</b>
<b>Total</b>	<b>678.22</b>	<b>865.22</b>

**NOTE 23 - OTHER CURRENT LIABILITIES**

Other payables-Statutory	174.35	157.25
Other payables	288.11	667.40
Advances received against sales	1,483.66	676.33
<b>Total</b>	<b>1,946.12</b>	<b>1,500.98</b>

(a) Interest accrued and due on borrowings has been debited by the bank on 1st April 2020.

## Notes to the Financial Statements for the Year ended 31st March, 2020.

## NOTE 24 -REVENUE FROM OPERATIONS

Rs. In Lakhs

Particulars	Current period 31.03.2020		Previous year 31.03.2019	
Sale of Machines -Domestic	8,138.11		13,849.07	
Sale of Machines -Export	411.84		631.36	
Sale of Connecting Rods	1,909.80		2,200.27	
Sale of Spares	177.82		345.35	
Job work charges	4,066.42		5,347.86	
Scrap Sales	118.75		159.01	
	14,822.74		22,532.92	
Less : GST	2,238.67		3,488.85	
<b>Total</b>	<b>12,584.07</b>		<b>19,044.07</b>	
Detail of sales	2019-20		2018-19	
	Qty	Value	Qty	Value
Special Purpose Machines	7	1,286.06	9	1,471.06
General Purpose Machines (ind)	264	6,852.05	576	12,378.01
GPM Machies exports	16	411.84	25	631.36
Sale of Connecting Rods		1,909.80		2,200.27
Jobwork charges		4,066.42		5,347.86
Spares & Scrap		296.57		504.36
	287	14,822.74	610	22,532.92

## NOTE 25 - OTHER INCOME

<b>Interest Income</b>		
On Margin money deposits	20.50	52.86
<b>Other Non-operating income</b>		
Gain on sale of assets	0.19	-
Exchange variance	17.86	20.90
Miscellaneous Income	4.34	20.99
<b>Total</b>	<b>42.89</b>	<b>94.75</b>

## NOTE 26 - COST OF MATERIAL CONSUMED

Inventory at the beginning of the year			1,718.96	1,720.79
Add: Purchase of Materials			6,358.22	9,819.40
			8,077.18	11,540.19
Less: Inventory at the end of the year			1,816.93	1,718.96
<b>Total</b>			<b>6,260.25</b>	<b>9,821.23</b>
Value of Imported & Indigenious Material Consumed	2019-20		2018-19	
	Value	%	Value	%
Imported at landed cost	434.86	6.95	881.57	8.98
Indigenously obtained	5,825.39	93.05	8,939.66	91.02
	6,260.25	100.00	9,821.23	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, 2020

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

Particulars	Current period 31.03.2020	Previous year 31.03.2019
<b>Inventory at the beginning of the year</b>		
Finished Goods	565.25	542.78
Work-in-Progress	7,286.54	7,313.14
	<b>7,851.79</b>	<b>7,855.92</b>
<b>Inventory at the end of the year</b>		
Finished Goods	645.52	565.25
Work-in-Progress	7,456.94	7,286.54
	<b>8,102.46</b>	<b>7,851.79</b>
<b>Total</b>	<b>(250.67)</b>	<b>4.13</b>

**NOTE 28 - OTHER MANUFACTURING EXPENSES**

Consumable Stores	68.47	163.87
Job works (processing charges)	547.68	695.13
Packing material	85.80	155.64
Freight and cartage	144.10	219.73
Power and fuel	581.86	685.36
Testing charges	12.43	12.45
Repairs and Maintenance - Plant and Machinery	171.93	199.29
<b>Total</b>	<b>1,612.27</b>	<b>2,131.47</b>

**NOTE 29 - EMPLOYEE BENEFITS EXPENSES**

Salaries, Wages and Bonus	2,966.69	3,109.06
Contribution to PF,ESI and Other Funds	96.54	115.09
Staff Welfare expenses	81.00	90.56
<b>Total</b>	<b>3,144.23</b>	<b>3,314.71</b>
Employee benefits expenses include managerial remuneration as detailed below:		
Salary	199.50	177.00
Provident Fund	0.86	0.86
Sitting fees	1.00	1.10
	<b>201.36</b>	<b>178.96</b>

## Notes to the Financial Statements for the Year ended 31st March, 2020.

## NOTE 30 - FINANCE COSTS

Rs. In Lakhs

Particulars	Current period 31.03.2020	Previous year 31.03.2019
Interest expenses	1,098.82	1,219.13
Bank charges	75.89	70.60
<b>Total</b>	<b>1,174.71</b>	<b>1,289.73</b>

## NOTE 31 - DEPRECIATION AMORTISATION EXPENSES

On Property, Plant and Equipment	874.22	909.66
On Right of Use Asset	5.64	-
On intangible Assets	10.14	2.92
<b>Total</b>	<b>890.00</b>	<b>912.58</b>

## NOTE 32 - OTHER EXPENSES

Rent	58.60	56.19
Rates and Taxes	57.18	40.44
Insurance	31.16	35.18
Travelling and Conveyance	162.32	200.88
Printing and Stationery	26.93	41.49
Postage and Telephones	18.64	22.58
Vehicles Maintenance	61.70	50.03
Directors Sitting Fee	1.00	1.10
Sales Commission	66.87	107.12
Professional Charges	59.64	87.19
Auditor's Remuneration :		
- As Auditors	5.00	5.00
Business Promotion Expenses	27.42	18.76
Advertisement	1.43	2.23
Donations	5.06	1.29
Miscellaneous Expenses	96.18	102.30
Security Charges	60.65	68.10
Exhibition expenses	10.20	81.96
Service charges	20.19	139.41
C S R Expenditure	13.88	-
Discount Charges	32.00	-
Exchange variance	3.77	9.25
<b>Total</b>	<b>819.82</b>	<b>1,070.50</b>

## NOTE 33 - EARNINGS PER EQUITY SHARE

a Profit for the year (before other comprehensive income/expenses)	(468.42)	676.54
b Weighted average number of equity shares of Rs. 10/- each		
Basic	17,896,770	17,896,770
Effect of Conversion option	-	-
Diluted	17,896,770	17,896,770
c Earning per share		
Basic	(2.62)	3.78
Diluted	(2.62)	3.78

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

## 34. Income Taxes

	Particulars	Current Year	Previous Year
i)	<b>Tax Expense/(Credit) recognised in Statement of Profit and Loss</b>		
	Current tax	0	310.00
	Deferred Tax	(344.33)	32.07
	Income tax of earlier years	0	
	<b>Total</b>	<b>(344.33)</b>	<b>342.07</b>
ii)	<b>Effective Tax Reconciliation</b>		
	Profit/ (Loss) before tax	(812.75)	1018.62
	Applicable tax rate	26%	34.60%
	Tax Expense/(Credit) on net profit/(loss)	(211.31)	352.44
	Increase / (decrease) in tax expenses on account of:		
	i) Effect of changes in tax rates	(133.02)	
	ii) Other Adjustments		(10.36)
	Tax Expense/(Credit) as per statement of profit and loss	(344.33)	342.07

## 35. 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:

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

Particulars	As at		
	Fair value hierarchy Level	March 31, 2020	March 31, 2019
<b>Financial Assets measured at FVTPL</b>			
Investments in Equity instruments	2	150	150
<b>Financial Liabilities measured at Amortized Cost</b>			
Term loans	2	7,264	7,884

### 36. Contingent Liabilities:

Contingent Liabilities and commitments not provided for on account of:

Rs in Lakhs

S.No	Particulars	31.03.20	31.03.19
a	Letter of credit	471.22	606.63
b	Bank Guarantees	563.76	312.90
c	Contracts to be executed	900.00	300.00

### 37. Foreign Currency Exposure:

Foreign Currency Exposure on account of:

Rs in Lakhs

S.No	Particulars	31.03.20	31.03.19
a	Exports	411.84	631.36
b	Travel	2.00	17.69
c	Imports of stores & Components	281.58	858.33
d	Imports of Machinery	-	123.46

**38. Retirement Benefit Obligations:****Employee Benefits : 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.I/GF/98-99 dated 23.03.1999. LIC has been appointed for management of the Trust fund for the benefits of the employees. The following tables summarize the components of net benefits.

Figures in Rs. In lakhs

Particulars	As on 31.03.2020	As on 31.03.2019
<b>a Table showing changes in present value of obligations</b>		
Present value of obligations as at beginning of year	215.93	180.05
Interest cost	16.30	13.15
Current Service Cost	23.67	15.82
Benefits Paid	(5.68)	(31.30)
Actuarial gain / (Loss) on obligations	77.69	38.20
<b>Present value of obligations as at end of year</b>	<b>327.91</b>	<b>215.94</b>
<b>b Table showing changes in the fair value of plan assets</b>		
Fair value of plan assets at beginning of year	6.20	38.44
Expected return on plan assets	0.47	1.74
Contributions	5.68	0.55
Benefits Paid	(5.68)	(31.30)
Actuarial gain / (Loss) on Plan assets	4.00	3.22
<b>Fair value of plan assets at the end of year</b>	<b>10.67</b>	<b>6.20</b>
<b>c Table showing fair value of plan assets</b>		
Fair value of plan assets at beginning of year	6.20	38.43
Actual return on plan assets	0.47	1.74
Contributions	5.68	0.55
Benefits Paid	(5.68)	(31.30)
Actuarial gain / (Loss) on Plan assets	(4.00)	(3.22)
Fair value of plan assets at the end of year	10.67	6.20
Funded status	18.82	18.82
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
<b>d Assumptions:</b>		
Discount Rate	7.65%	7.65%
Salary Escalation	4.00%	4.00%



**39. Related party transactions:**

## 1. Transactions during the year

Rs in lakhs

Name of the party	Relation ship	Nature of transaction	31.03.20	31.03.19
M. Lokeswara Rao Managing Director	Key Management	Remuneration	60.00	60.00
B.Kishore Babu Executive Director	Key Management	Remuneration	46.50	39.00
M.Srinivas Director	Key Management	Remuneration	46.50	39.00
M.Srikrishna Director	Key Management	Remuneration	46.50	39.00
MLR Motors Ltd	Entity owned or significantly influenced by key Management personnel.	Refund of advance against purchase of Asset	—	(140.06)
MLR Motors Ltd	Entity owned or significantly influenced by key Management personnel.	Refund of advance against purchase of Asset	(107.02)	—
M.Srinivas & M.Srikrishna Directors	Key Management	Lease for Land & Building	51.60	51.60

## 2. Payables as at 31.03.2020

Rs in lakhs

Name of the party	Relation ship	Nature of transaction	31.03.20	31.03.19
M. Lokeswara Rao Managing Director	Key Management	Remuneration	5.00	5.00
B.Kishore Babu Executive Director	Key Management	Remuneration	4.50	3.25
M.Srinivas Director	Key Management	Remuneration	4.50	3.25
M.Srikrishna Director	Key Management	Remuneration	4.50	3.25
C. Sirekha	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	(0.21)	(0.21)
		Sale of goods	245.79	245.79
MLR Auto Ltd	Entity owned or significantly influenced by key Management personnel.	Purchase of asset	583.81	690.83
		Sale of goods	69.08	69.08
M.Srinivas & M.Srikrishna Directors	Key Management	Lease for Land & Building	4.30	4.30

**40. 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
External sales	7,449.39 (12,735.13)	5,134.68 (6,308.94)	-	12,584.07 (19,044.07)
Intersegment sales	-	-	-	-
Total Revenue	7,449.39 (12,735.13)	5,134.68 (6,308.94)	-	12,584.07 (19,044.07)
Segment Results	524.98 (2,447.86)	479.49 (825.04)	-	1,004.47 (3,272.90)
Corporate Expenses (net)	-	-	1,817.22 (2,254.28)	1,817.22 (2,254.28)
Profit/loss before tax	-	-	-	-812.75 (1018.62)
Segment Assets	20,112.11 (20,264.38)	7,664.63 (8,545.02)	-	27,776.74 (28,809.40)
Segment Liabilities	10,374.10 (10,254.90)	3,514.38 (4,140.51)	-	13,888.48 (14,395.41)
Capital expenditure	289.38 (130.75)	62.62 (106.22)	-	352.00 (236.97)
Segment depreciation	351.91 (356.74)	538.09 (555.84)	-	890.00 (912.58)

(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 3.27% of its annual net sales. The management views the Indian market and export market as distinct geographical segments.

#### 41. 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.

## 42. Capital Management

### Gearing Ratio

Rs. In lakhs

Particulars	As at	
	March 31, 2020	March 31, 2019
a) Debt Obligations	<b>7,555.82</b>	7,264.33
b) Cash and Cash equivalents	<b>292.97</b>	397.95
c) Net Debt (a-b)	<b>7,262.85</b>	6,866.38
(d) Total Equity	<b>13,888.27</b>	14,413.99
Net Debt Equity Ratio (c/d)	<b>0.52</b>	0.48

43. The Company considered the uncertainty relating to the COVID-19 pandemic in assessing the recoverability of receivables and certain investments. For this purpose, the Company considered internal and external sources of information up to the date of approval of these financial statements. The Company has also used the principles of prudence in applying judgements, estimates and assumptions including sensitivity analysis and based on the current estimates, the Company expects to fully recover the carrying amount of receivables, investments and other assets. As the outbreak continues to evolve, the Company will continue to closely monitor any material changes to future economic conditions. Though the profitability of the company has fallen partly due to Covid-19, the concept of "Going concern" of the company is not affected as on this date

44. 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.

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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 : 29<sup>th</sup> July, 2020

**For and on behalf of the Board**

**M. LOKESWARA RAO**

Managing Director

**M. SRINIVAS**

Whole Time Director

**V. SUDHAKARA REDDY**

Chief Financial Officer

**MATRU PRASAD MISHRA**

Company Secretary