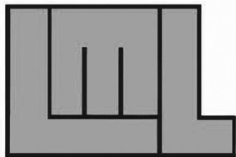


**ANNUAL REPORT
2016-2017**



**Lokesh
Machines Limited**

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BOARD OF DIRECTORS

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

STATUTORY COMMITTEES

Audit Committee

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

Nomination & Remuneration Committee

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

Stakeholders Relationship Committee

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

Chief Financial Officer (CFO)

Mr. V. Sudhakara Reddy

Company Secretary

Mr. D. Raghavendra Rao

BANKERS

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

AUDITORS

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

INTERNAL AUDITORS

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

REGISTRARS & TRANSFER AGENTS

Karvy Computershare Pvt. Ltd.
Karvy Selenium Tower B,
Plot No.31-32, Gachibowli
Financial District, Nanakramaguda,
Serilingampally,
Hyderabad - 500 008
Phone : +91 40 67161524
Fax : +91 40 23001153

REGISTERED OFFICE

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

WORKS

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

NOTICE is hereby given that the Thirty Third Annual General Meeting of the Members of Lokesh Machines Limited will be held on Thursday September 28th, 2017 at 11.00 A.M at Jubilee Hills International Centre, Near Jubilee Hills Check Post, Road No. 14, Hyderabad - 500 033 Telangana to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Financial Statements of the Company for the financial Year ended March 31, 2017 and 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
3. To Appointment of the Statutory Auditors of the Company:
To appoint the auditors and to fix their remuneration by passing the following resolution as an ordinary resolution:

“RESOLVED THAT pursuant to the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 (the Act), and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and pursuant to recommendation of the Audit Committee and the Board of Directors, M/s. K.S.Rao & Co., Chartered Accountants, Hyderabad, (ICAI Firm Regn. No.003109S) be and are hereby appointed as Statutory Auditors of the Company in place of M/s. Brahmayya & Co., Hyderabad (ICAI Firm Regn. No.000513S) whose tenure expires at this Annual General Meeting, at such remuneration plus reimbursement of outof-pocket, travelling and living expenses, etc., as may be mutually agreed between the Board of Directors of the Company and the said Auditors.”

“RESOLVED FURTHER THAT M/s. K.S.Rao & Co., Chartered Accountants, shall hold office for the period of five years from the conclusion of this 33rd Annual General Meeting of the Company till the conclusion of 38th Annual General Meeting of the Company (subject to ratification of the appointment by members at every Annual General Meeting held after this Annual General Meeting).”

“RESOLVED FURTHER THAT the Board of Directors of the Company (including its Committee thereof), be and is hereby authorized to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient to give effect to this Resolution.”

SPECIAL BUSINESS:

4. Ratification of Remuneration to 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 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, payable to M/s DZR&Co, Cost Accountants to audit the cost records maintained by the Company for the financial year ending March 31, 2018, be and is hereby approved and ratified.”

By Order of the Board
For Lokesh Machines Limited

Place: Hyderabad
Date: August 31, 2017

D. Raghavendra Rao
Company Secretary

NOTES:

- 1) An Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 relating to the Special Business to be transacted at the Annual General Meeting is annexed hereto.
- 2) **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON POLL ON HIS / HER BEHALF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

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

A Proxy Form is annexed to this Report. Proxies submitted on behalf of the companies, societies, etc. must be supported by an appropriate resolution / authority, as applicable.
- 3) Members/Proxies should bring duly filled Attendance Slips sent herewith to attend the meeting.
- 4) 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
- 5) 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.
- 6) 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
- 7) 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, 2017 to 28th September, 2017 (both days inclusive).
- 8) Pursuant to the provisions of Section 72 of the Companies Act, 2013, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in prescribed Form (which will be made available on request) to the Registrar and Share Transfer Agents.
- 9) 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.
- 10) 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
- 11) Members are requested to address all their correspondence including change of address, mandates etc. to the registrars viz. M/s. Karvy Computershare Private Limited, Karvy Selenium Tower B, Plot No.31-32, Gachibowli, Financial District, Nanakramguda Serilingampally, Hyderabad - 500 008, Phone : +91 40 67161524, Fax : +91 40 23001153.
- 12) The Company's Equity shares are listed at Bombay Stock Exchange Ltd and National Stock Exchange Mumbai and the company has paid the Listing Fees to the said Stock Exchange for the financial year 2016-17.
- 13) 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.
- 14) 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.

- 15) Members are requested to bring the duly filled attendance slip along with their copy of the annual report to the meeting.
- 16) Relevant documents and registers will be available for inspection by the members at the registered office of the company.
- 17) In terms of circulars issued by Securities and Exchange Board of India (SEBI), it is now mandatory to furnish a copy of PAN card to the Company or its RTA in the following cases viz. Transfer of shares, Deletion of name, Transmission of shares and Transposition of shares. Shareholders are requested to furnish copy of PAN card for all the above mentioned transactions
- 18) 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.
- 19) We request you to register / update your email address with your depository participant / RTA to ensure that all documents reach you on your preferred email.
- 20) The annual report for 2016-17 is being sent by electronic mode only to the Members Whose Email addresses are registered with the Company Depository Participant(s) for communication purpose unless any member has requested for a hard copy of the same. For members Who have not registered their Email addresses physical copies of annual report 2016-17 are being sent by the permitted mode
- 21) In terms of Section 108 of Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014, and as per the requirement of listing agreement with the stock exchanges, the Company is providing the facility to its members holding shares in physical or Dematerialized form as on the cut – off date, i.e September 21st 2017 (i.e Record date) to exercise their right to vote by electronic means on any or all of the agenda items specified in the accompanying Notice of Annual General meeting Details of the process and manner of E-Voting along with the user id and password are being sent separately to all the members along with the notice.and e-voting services provided by Karvy Computershare Private Limited (“Karvy”).

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

Commencement of e-voting : From 9 A.M. on 25th September, 2017 to 5 P.M. on 27th September, 2017.

- i. E-voting shall not be allowed beyond 5 p.m on 27th September 2016. During the e-voting period, shareholders of the company, holding shares either in physical form or in dematerialised form, as on 21th September,2017 may cast their vote electronically.
- ii. The Company has appointed Mr. S.Chidambaram, (Practicing CompanySecretary)Hyderabad as Scrutinizers for conducting the e-voting process for the Annual General Meeting in a fair and transparent man

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

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

The Company has appointed Mr. S.Chidambaram, Practising Company Secretary as the Scrutinizer for conducting the e-voting process in a fair and transparent manner. E-voting is optional. The e-voting rights of the shareholders / beneficial owners shall be reckoned on the equity shares held by them as on 21st September 2017, being the Cut-off date for the purpose. The Shareholders of the Company holding shares either in dematerialised or in physical form, as on the Cut-off date, may cast their vote electronically.

A person who is not a shareholder on the Cut-off date should treat this Notice for information purposes only.

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

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

Corporate/Institutional Members (i.e. other than Individuals, HUF, NRI etc.) are also required to send scanned certified true copy (PDF Format) of the Board Resolution/Authority Letter etc., together with attested specimen signature(s) of the duly authorised representative(s), to the Scrutinizer at email :schid285@gmail.com with a copy marked to evoting@karvy.com. The scanned image of the above mentioned documents should be in the naming format " Corporate Name_Event No."

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

OTHER INSTRUCTIONS

- a. In case of any query and/or grievance, in respect of voting by electronic means, Members may refer to the Help & Frequently Asked Questions (FAQs) and E-voting user manual available at the download site of <https://evoting.karvy.com> (Karvy Website) or contact Mr K.S.Reddy, (Unit: Lokesh Machines Ltd) of Karvy Computershare Private Limited, Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032 or at evoting@karvy.com or phone no. 040 – 6716 1500 or call Karvy's toll free No. 1-800-34-54-001 for any further clarifications.
- b. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- c. The remote e-voting period commences on 25th September, 2017 (9.00 A.M. IST) and ends on 27th September 2017 (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, 2017, may cast their votes electronically. A person who is not a Member as on the cut-off date should treat this Notice for information purposes only. The remote e-voting module shall be disabled for voting thereafter. Once the vote on a resolution(s) is cast by the Member, the Member shall not be allowed to change it subsequently.
- d. The voting rights of Members shall be in proportion to their share of the paid up equity share capital of the Company as on the cut-off date i.e. 21st September, 2017.
- e. In case a person has become a Member of the Company after dispatch of AGM Notice but on or before the cut-off date for E-voting i.e. 21st September, 2017, he/she may obtain the User ID and Password in the manner as mentioned below :
- i. If the mobile number of the member is registered against Folio No./ DP ID Client ID, the member may send SMS: MYEPWD <space> E-Voting Event Number+Folio No. or DP ID Client ID to 9212993399
Example for NSDL:
MYEPWD <SPACE> IN12345612345678
Example for CDSL:
MYEPWD <SPACE> 1402345612345678
Example for Physical:
MYEPWD <SPACE> XXXX1234567890
- ii. If e-mail address or mobile number of the member is registered against Folio No. / DP ID Client ID, then on the home page of <https://evoting.karvy.com>, the member may click "Forgot Password" and enter Folio No. or DP ID Client ID and PAN to generate a password.
- iii. Member may call Karvy's toll free number 1800-3454-001.

- iv. Member may send an e-mail request to evoting@karvy.com. However, Karvy shall endeavour to send User ID and Password to those new Members whose mail ids are available.

PROCEDURE AND INSTRUCTIONS FOR WEB CHECK-IN/ATTENDANCE REGISTRATION

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

Procedure of Web Check-in is as under:

- a. Log on to <https://karisma.karvy.com> and click on "Web Checkin for General Meetings (AGM/EGM/CCM)".
- b. Select the name of the company: Name of the Company
- c. Pass through the security credentials viz., DP ID/Client ID/Folio no. entry, PAN No & "CAPTCHA" as directed by the system and click on the submission button.
- d. The system will validate the credentials. Then click on the "Generate my attendance slip" button that appears on the screen.
- e. The attendance slip in PDF format will appear on the screen. Select the "PRINT" option for direct printing or download and save for the printing.
- f. A separate counter will be available for the online registered Members at the AGM Venue for faster and hassle free entry and to avoid standing in the queue.
- g. After registration, a copy will be returned to the Member.
- h. The Web Check-in (Online Registration facility) is available for AGM during e-voting Period only i.e., 25th September 2017 (9.00 A.M. IST) to 27th September 2017 (5.00 P.M. IST).
- i. The Members are requested to carry their valid photo identity along with the above attendance slip for verification purpose

By Order of the Board
For Lokesh Machines Limited

Place: Hyderabad
Date: August 31, 2017

D. Raghavendra Rao
Company Secretary

Explanatory Statement

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

Item # 4

Approval for Payment of Remuneration to the Cost Auditor

The Board, on the recommendation of the Audit Committee, has approved the appointment and remuneration of the M/s. DZR& Co., Cost Auditors to conduct the audit of the cost records of the Company for the financial year ending 31st March, 2017 at a remuneration of Rs 50000/- as audit fee, and Service tax and out of pocket expenses shall be paid on actuals.

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. 1 of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year ending 31st March, 2018.

The Board recommends the resolution for your approval. None of the Directors, key managerial personnel or their relatives Directors of the Company is, in any way, concerned or interested in the said resolution.

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

Name	Mr K. Krishna Swamy
	25-12-1940
Designation	Non Executive Director
Date of appointment	28/07/1995
Educational Qualifications	Bachelor of Technology(Mechanical)
Areas of Experience	Nearly 51 years of experience in the field of Mechanical Division.
Membership/Chairmanship of the Committees held in the company	Nil
Companies in which he / she holds Directorship	Nil
Membership/Chairmanship of the Committees held in other companies	Nil
No of Shares held in the company	12,000

Directors Report

Dear Stakeholders,

Your Directors submit the 33rd Annual Report of the company along with the Audited financial Statements for the financial year ended March 31, 2017.

FINANCIAL RESULTS

Rs in Lakhs

Particulars	(2016-17)	(2015-16)
Net Sales	13177.81	12107.33
Other Income	35.18	90.87
Captive Consumption	1107.24	1139.61
Total Income	14320.23	13337.81
Profit before Depreciation, Interest and Taxes	1189.33	2628.81
Depreciation	818.49	740.83
Profit before Interest and Taxes	2007.82	1887.98
Interest and Finance Charges	1664.06	1535.87
Profit before Taxes	343.76	352.11
Provision for Taxes	124.28	138.30
Profits after Taxes	219.48	213.81

PERFORMANCE REVIEW:

The turnover increased by 8.32 %, in the year

- The General Purpose machinery division could post a higher sale domestically and also the Connecting Rod sales revenue increased compared to the previous year. The job work revenue slightly decreased compared to the previous year.
- There was a Decrease in the SPM sale due to the protracted recessionary condition and as no major project was taking off at our regular SPM customers. Typically SPM movement will start once the economy reaches a reasonable uptick unlike the GPMs which pick up at the start of growth phase itself.

FUTURE OUTLOOK

The current market conditions are showing signs of recovery, but not at a comfortable pace. There is still an air of cautious optimism and customers are conservative in their growth plans.

However, your directors are confident of putting in an improved performance over the previous year.

- 1) 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.
2. The CNC machines division is expected to post substantial growth with improving market conditions. The delivery lead times of these machines is less than 3 months and hence any improvement in the market brings in an immediate demand. However since rest of Europe and Russia continues to be in a state of recession, the exports could be same as last year. However, we hope for some improvement in the coming quarter which could reflect in increased export dispatches in the last quarter.
3. On the component division front, the Connecting Rod production is in a rampup mode. With a reasonable monsoons prediction, the Tractor industry in particular and the Auto sector in general are expected to do well and thereby help us increase the overall revenues.

DIVIDEND

The Company proposes to retain profits of the current year for company's future plans and developments. Hence, your directors have not recommended dividend for the Financial Year 2016-2017.

TRANSFER TO GENERAL RESERVE

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

DIRECTORS

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

All Independent Directors have given declaration that they meet the criteria of independence as laid under section 149(6) of the Companies Act 2013 and Listing Agreement.

AUDITORS**Statutory Auditors**

The provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 (the Act), and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and pursuant to recommendation of the Audit Committee and the Board of Directors, M/s. K.S.Rao & Co., Chartered Accountants, Hyderabad, (ICAI Firm Regn. No.003109S) be and are hereby appointed as Statutory Auditors of the Company in place of M/s. Brahmayya & Co., Hyderabad (ICAI Firm Regn. No.000513S) whose tenure expires at this Annual General Meeting, at such remuneration plus reimbursement of outof-pocket, travelling and living expenses, etc., as may be mutually agreed between the Board of Directors of the Company and the said Auditors.”

Cost Auditors:

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

Secretarial Auditors:

M/s. S Chidambaram, Practicing Company Secretaries, was appointed to conduct the Secretarial Audit of the Company for the financial year 2016-17, as required under Section 204 of the Companies Act, 2013 and Rule 9 there-under. The secretarial audit report for FY 2016-17 forms part of this Report as Annexure- C.

Reply to the observations of Secretarial auditor:

Your company is law abiding entity, and filed the necessary forms & returns with the authorities. However, there were few non-compliance's which the management ensures to comply the same in time in future.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE OUTGO

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

DEVELOPEMNT AND IMPLEMENTATION OF A RISK MANAGEMENT POLICY

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

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

NOMINATION AND REMUENRATION POLICY

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

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

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

None of the independent directors are due for re-appointment

LISTING:

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

DIRECTORS RESPONSIBILITY STATEMENT

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

In preparation of annual accounts for the financial year ended 31st March, 2017 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, 2017 and of the profit and loss 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, Eight Board Meetings were held on 11th May, 2016; 28th May, 2016; 28th June, 2016; 12th August, 2016; 20th Sep 2016; 05th November, 2016, 27th January, 2017 and 14th February, 2017.

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 are as per the Companies Act, 2013 and Listing Agreement with Stock Exchanges. The details of the Constitution are mentioned in Corporate Governance Report, which forms part of this Annual Report.

Corporate Governance Report

Your Company has complied with the requirements of the Listing Agreement entered with the Stock Exchanges and provisions of the Companies Act, 2013, Report on Corporate Governance including Auditor's Certificate on compliance with the code of Corporate Governance.

Management Discussion and Analysis

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

Vigil Mechanism:

In pursuant to the provisions of section 177 of the Companies Act, 2013 and the Listing Agreement a Vigil Mechanism for directors and employees to report genuine concerns has been established.

ACKNOWLEDGEMENTS

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

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

On behalf of the Board
For Lokesh Machines Limited

B Kishore Babu
(Executive Director)

M Lokeswara Rao
(Managing Director)

- 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	32.80
B Kishore Babu	21.35
M Srikrishna	21.35
K Krishna Murthy	21.35

- 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	42.85
B Kishore Babu	85.80
M Srinivas	85.80
M Srikrishna	85.80
K Krishna Murthy	—
V Sudhakara Reddy	—
D Raghavendrarao	—

- iii) **The percentage increase in the median remuneration of employees in the financial year; 5%**

- iv) **The number of permanent employees on the rolls of company; 375**

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

On an average, employees received an annual increase of 5%. The individual increments varied from 5% to 15% based on individual performance

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

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

Aggregate remuneration of key Managerial Personnel(KMP) in FY 2017 (Rs. Lakhs)	196.20
Total Revenue (Rs.Lakhs)	13213.00
Remuneration of KMP(as % of revenue)	1.48%
Profit before Tax (PBT) (Rs.Lakhs)	343.77
Remuneration of KMP(as % of PBT)	57.07%

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

Particulars	March 31,2017	March 31,2016	% Change
Market Capitalisation (Rs. Lakhs)	126,51,23,124	110,10,98,439	14.89%
Price Earning Ratio	110.94	108.53	2.41

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

Particulars	March 31,2017	IPO Price	% Change
Market Price (BSE)	86.00	140	-38.57%
Market Price (NSE)	86.20	140	-38.57%

- viii) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;
- ix) Comparison of the each remuneration of the Key Managerial Personnel against the performance of the company;

	Mr M Lokeswara rao	Mr.B. Kishore Babu	Mr. M. Srinivas	Mr. M. Sriktishna	Mr. V. Sudhakara Reddy	Mr. D. Raghavendrarao
Remuneration in FY 15 (Rs. Lakhs)	60.00	39.00	39.00	39.00	15.00	4.20
Total Revenue (Rs. Lakhs)	13213.00	13213.00	13213.00	13213.00	13213.00	13213.00
Remuneration as % of Revenue	0.45	0.29	0.29	0.29	0.11	0.03
Profit Before Tax(PBT) (Rs. Lakhs)	343.77	343.77	343.77	343.77	343.77	343.77
Remuneration (as % of PBT)	17.45	11.34	11.34	11.34	4.36	1.22

- x) The key parameters for any variable component of remuneration availed by the directors;
None
- xi) 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
- xii) Affirmation that the remuneration is as per the remuneration policy of the company:
The Company affirms that the remuneration is as per the remuneration policy of the Company.

SUBSIDIARY COMPANY:

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

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:

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

PUBLIC DEPOSITS:

The Company has not accepted any deposits from the public.

RELATED PARTY TRANSACTIONS:

Related party transactions entered during the financial year under review are disclosed in Note No.27 of the Financial Statements of the Company for the financial year ended 31st March, 2017. 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.

The Company has not entered into any related party transactions covered under Section 188(1) of the Companies Act, 2013.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation for the support and co-operation extended by the Shareholders, Bankers, Financial Institutions, Government Authorities, Stock Exchanges, Customers, Suppliers and other associates. Your Directors also wish to place on record their appreciation for the enthusiastic support received from the team of dedicated employees in the activities of your Company.

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

B Kishore Babu
(Executive Director)

M Lokeswara Rao
(Managing Director)

Form No. MGT-9
EXTRACT OF ANNUAL RETURN
as on the financial year ended on 31-03-2017

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

I. REGISTRATION & OTHER DETAILS:

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

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

(All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

S. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1.	General Purpose Machines	356	55%
2.	Special Purpose Machines	359	10%
3.	Jobwork charges	374.80	35%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

SN	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	N.A.				
2	N.A				

IV. SHARE HOLDING PATTERN

(Equity share capital breakup as percentage of total equity)

(i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	8033814	-	8033814	54.61	9140225	-	9140225	53.66	(0.95)
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	-	-	-	-	-	-	-	-	-
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
Sub Total (A) (1)	8033814	-	8033814	54.61	9140225	-	9140225	53.66	(0.95)
(2) Foreign									
a) NRI Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Any other	-	-	-	-	-	-	-	-	-
Sub Total (A) (2)	-	-	-	-	-	-	-	-	-
TOTAL(A)= A(1)+A(2)	8033814	-	8033814	54.61	9140225	-	9140225	53.66	(0.95)
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt	374500	-	374500	2.55	370000	-	370000	2.17	(0.37)
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	116999	-	116999	0.69	0.69
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)									
Sub-total (B)(1):-	374500	-	370000	2.55	486999	-	486999	2.86	0.31
2. Non-Institutions									
a) Bodies Corp.	523628	-	523628	3.56	745049	-	745049	4.37	0.81
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	2865097	21359	2886456	19.62	2880009	21359	2901368	17.03	(2.59)
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	2805830	-	2805830	19.07	2094142	-	2094142	12.29	(6.78)
c) Others (specify)									
- Directors	-	-	-	-	-	-	-	-	0.00
- Trust	-	-	-	-	-	-	-	-	0.00
- F.C.B.	-	-	-	-	-	-	-	-	0.00
- Non - resident Indians	60289	-	60289	0.41	29566	-	29566	0.17	(0.24)
Clearing Members	16206	-	16206	0.11	1622968	-	1622968	9.53	9.42
- NBFC	10011	-	10011	0.07	3250	-	3250	0.02	(0.05)
Nri non repatriation	-	-	-	-	9233	-	9233	0.05	0.05
Sub-total (B)(2):-	6281061	21359	6302420	42.84	7384217	21359	7405576	43.48	0.63
Total Public Shareholding (B)=(B)(1)+(B)(2)	6655561	21359	6676920	45.39	7871216	21359	7892575	46.34	0.95
C. Shares held by Custodian for GDRs & ADRs									
Grand Total (A+B+C)	14710734	21359	14689375	100.00	17011441	21359	17032800	100.00	-

(ii) Shareholding of Promoter

SN	Shareholder's Name	Shareholding at the beginning of the year			Shareholding 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 shareholding encumbered to total shares	
1	MULLAPUDI LOKESWARARAO	801872	5.45	5.37	792217	4.65	4.64	(0.80)
2	MULLAPUDI SRIKRISHNA	1502782	10.22	7.98	1812271	10.64	8.65	0.42
3	MULLAPUDI SRINIVAS	1343271	9.13	6.20	1921615	11.28	9.08	2.15
4	MULLAPUDI VIJAYALAKSHMI	1844913	12.54	12.00	1844913	10.83	10.37	(1.71)
5	MULLAPUDI KANAKADURGA	700372	4.76	3.20	700372	4.11	3.65	(0.65)
6	BOLLINENI KISHORE BABU	941020	6.40	4.82	1097009	6.44	4.66	0.04
7	BOLLINENI VIJAYALAKSHMI	231169	1.57	1.17	314305	1.85	1.01	0.27
8	BOLLENENI SHILPA	77087	0.52	0	104810	0.62	0	0.10
9	AJAYKUMAR MULLAPUDI	53269	0.36	0	3269	0.02	0	(0.34)
10	MULLAPUDI LIKHITA	340220	2.31	0	340220	2.00	0	(0.31)
11	MULLAPUDI RAMMOHAN RAO	22043	0.15	0	22043	0.13	0	(0.01)
12	BOLLINENI SRIHARSHA	24138	0.16	0	32819	0.19	0	0.03
13	GANNE ANNAPURNA	16598	0.11	0	16598	0.10	0	(0.01)
14	KRISHNASWAMY K	12000	0.08	0	12000	0.07	0	(0.01)
15	MULLAPUDI VASANTHALAKSHMI	10300	0.07	0	14004	0.08	0	0.01
16	GUTTA SAIRAM PRASAD	8735	0.06	0	7059	0.04	0	(0.02)
17	G KAMALADEVI	7777	0.05	0	7777	0.05	0	0.01
18	NAGA SATYA SWAROOPA RANI	96924	0.66	0	96924	0.57	0	(0.09)
		8033814	54.61	40.76	9140225	53.66	42.04	(0.95)

(iii) Change in Promoter's Shareholding (please specify, if there is no change)

SN	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	801872	5.45	801872	5.45
	Sale of Shares From 06.01.2017 to 27.01.2017	(9655)	(0.08)	792217	4.66
	At the end of the year			792217	4.65
2	MULLAPUDI KRIKRISHNA				
	At the beginning of the year	1502782	10.22	1502782	10.22
	Allotment of Shares credited on 20.01.2017	309489	0.42	1812271	10.64
	At the end of the year			1812271	10.64
3	MULLAPUDI KRINIVAS				
	At the beginning of the year	1343271	9.13	1343271	9.13
	Allotment of Shares credited on 20.01.2017				
	At the end of the year	578344	9.13	1921615	11.28
				1921615	11.28
4	BOLLINENI VIJAYALAKSHMI				
	At the beginning of the year	231169	1.57	231169	1.57
	Allotment of Shares credited on 20.01.2017	83136	1.57	314305	1.85
	At the end of the year			314305	1.85
5	BOLLINENI KISHORE BABU				
	At the beginning of the year	941020	6.40	941020	6.40
	Allotment of Shares credited on 20.01.2017	155989	0.04	1097009	6.44
	At the end of the year			1097009	6.44
6	MULLAPUDI AJAY KUMAR				
	At the beginning of the year	53269	0.36	53269	0.36
	Sale of shares on 31-12-2016	(50000)	(0.04)	3269	0.02
	At the end of the year			3269	0.02
7	BOLLINENI SHILPA				
	At the beginning of the year				
	Allotment of Shares credited on 20.01.2017	77087	0.52	77087	0.52
	At the end of the year	27723	0.09	104810	0.62
			96924	0.62	0.62
8	BOLLINENI SRIHARSHA				
	Allotment of Shares credited on 20.01.2017	24138	0.16	24138	0.16
	At the end of the year	8681	0.03	32819	0.19
			32819	0.19	0.19
9	M.VASANTHALAKSHMI				
	Allotment of Shares credited on 20.01.2017	10300	0.07	3704	0.07
	At the end of the year	3704	0.01	14004	0.08
			14004	0.08	0.08
10	GUTTA SAIRAM PRASAD				
	Sale of Shares on 10.03.2017	8059	0.06	8059	0.06
	At the end of the year	1000	0.04	7059	0.04
			7059	0.04	0.04

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

SN	Name of the Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	the end of year	No. of shares	% of total shares of the company
1	Ashish Kacholia				
	At the beginning of the year	1600000	10.87	1600000	1.87
	Increase/ Decrease shareholding during the year				
	Allotment of shares credited on 12-08-2016	200000	1.35	1800000	10.56
	Transfer of shares on 31-03-2017	(1600000)	(9.39)	200000	1.17
	At the end of the year			200000	1.17
2	Pankaj Jawaharlal Razdan				
	At the beginning of the year	—	—	—	—
	Increase in the share holding during the year	425000	2.49	425000	2.49
	Allotment of shares credited on 12-08-2016				
	At the end of the year			425000	2.50
3	Nisarag Vakhsaria				
	At the beginning of the year	—	—	—	—
	Increase in the share holding during the year	250000	1.46	250000	1.46
	Allotment of shares credited on 12-08-2016				
	At the end of the year			250000	1.47
4	UNITED INDIA INSURANCE COMPANY LIMITED				
	At the beginning of the year	370000	2.52	370000	2.52
	Increase/ Decrease shareholding during the year	—	—	—	—
	At the end of the year			370000	2.17
5	IACM-1 D				
	At the beginning of the year	30950	0.21	30950	0.21
	Increase in the share holding during the year	100000	0.58	130950	0.76
	Buy of shares as on 30-12-2016				
	At the end of the year			130950	0.77
6	RUNNER MARKETING PVT LTD				
	At the beginning of the year	—	—	—	—
	Increase in the share holding during the year	125000	0.73	125000	0.73
	Allotment of shares credited on 12-08-2016				
	At the end of the year			125000	0.73
7	A .MAHALAKSHMI				
	At the beginning of the year	—	—	—	—
	Increase in the share holding during the year	125000	0.73	125000	0.73
	Allotment of shares credited on 12-08-2016				
	At the end of the year			125000	0.73

8	JAHNAVI SRI DHANYA S At the beginning of the year Increase in the share holding during the year At the end of the year	110000 —	0.75 —	110000 — 110000	0.75 — 0.65
9	CHERUKURI SAI KIRAN At the beginning of the year Increase in the share holding during the year (during the period 23-01-2015) At the end of the year	100000 —	0.68 —	100000 — 100000	0.68 — 0.59
10	RAJA RAMA MOHAN RAO JASTI At the beginning of the year Increase/ Decrease shareholding during the year At the end of the year	96093 —	0.65 —	96096 — 96096	0.65 — 0.56

(v) Shareholding of Directors and Key Managerial Personnel:

S No.	Name of the Director / Key Managerial Personnel (KMP)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	MULLAPUDI LOKESWARARAO At the beginning of the year Sale of Shares From 06.01.2017 to 27.01.2017 At the end of the year	801872 (9655)	5.45 (0.08)	801872 792217 792217	5.45 4.65 4.65
2	MULLAPUDI KRIKRISHNA At the beginning of the year Allotment of Shares on 20.01.2017 At the end of the year	1502782 309489	10.22 0.42	1502782 1812271 1812271	10.22 10.64 10.64
3	MULLAPUDI KRINIVAS At the beginning of the year Allotment of Shares on 20.01.2017 At the end of the year	1343271 578344	9.13 2.15	1343271 1921615 1921615	9.13 11.28 11.28
4	BOLLINENI KISHORE BABU At the beginning of the year Allotment of Shares on 20.01.2017 At the end of the year	941020 155989	6.40 0.04	941020 1097009 1097009	6.40 6.44 6.44
5	V.SUDHAKARA REDDY At the beginning of the year During the Year At the end of the year	11000 —	0.07 —	11000 — 11000	0.07 — 0.06
6	D.RAGHAVENDA RAO At the beginning of the year During the Year At the end of the year	— —	— —	— — —	— — —

IV. INDEBTEDNESS

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

(Amt. RS.)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	422,767,091	37,000,000	Nil	459,767,091
ii) Interest due but not paid	10,669,431	868,383	Nil	11,537,814
iii) Interest accrued but not due	—	—	Nil	—
Total (i+ii+iii)	433,436,522	37,868,383		471,304,905
Change in Indebtedness during the financial year			Nil	—
* Addition	39,647,756	32,000,000	Nil	71,647,756
* Reduction	(115,591,390)	(10,779,553)	Nil	(166,018,699)
Net Change	(115,591,390)	21,220,447	Nil	(94,370,943)
Indebtedness at the end of the financial year				
i) Principal Amount	317,845,132	58,220,447	Nil	376,065,579
ii) Interest due but not paid	—	—	Nil	—
iii) Interest accrued but not due	10,485,581	561,941	Nil	11,047,522
Total (i+ii+iii)	328,330,713	58,782,388		387,113,101

IV. INDEBTEDNESS

B. Remuneration to other Directors

S. No	Particulars of Remuneration	Name of MD/WTD/Manager				Total Amount (Rs)
1	Gross Salary	M. Lokeswararao	B. Kishore Babu	M. Srikrishna	M. Srinivas	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	60.00	39.00	39.00	39.00	177.00
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income tax Act, 1961	-	-	-	-	-
2.	Stock Option	-	-	-	-	-
3.	Sweat Equity	-	-	-	-	-
4.	Commission - as % of profit - others, specify...	-	-	-	-	-
5.	Others, please specify	-	-	-	-	-
	Total (A)	60.00	39.00	39.00	39.00	177.00
	Ceiling as per the Act	60.00	60.00	60.00	60.00	240.00

B. Remuneration to Other Directors

S No	Particulars of Remuneration	Name of Directors	Total Amount(Rupees)
1	Fee for attending Board Meeting /Committee Meeting of Independent Directors and Non Executive Director	Mr. B.R.Mahesh Mr. R.Mohan Reddy Smt. Bhavanarao Mr. A. Vijaykumar	60,000 50,000 10,000 10,000
2	Commission	—	—
	Total		1,30,000

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

S. 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	39.00	4.20	15.00	58.20
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission - as % of profit - others, specify...	-	-	-	-
5.	Others, please specify	-	-	-	-
	Total	39.00	4.20	15.00	58.20

VI. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

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

Annexure 'A'

The Particulars as prescribed under Sub-section (3) (m)D of section 134 of the Companies act 2013, read with 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 : 55 lakhs
 - (c) Total : 55 lakhs
 - (d) Total R & D expenditure as a percentage of total turnover: 0.41 %

Foreign Exchange Earnings and Outgo

- (i) Foreign Exchange Earnings : Rs.398.05 Lakhs
- (ii) Foreign Exchange Outgo:
 - For Capital Goods : Rs 0 Lakhs
 - For Components on FOB basis : Rs 595.06 Lakhs
 - Towards Foreign Travel : Rs. 6.34 Lakhs

Annexure 'B'

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The management presents the analysis of performance of your Company for the year 2016-17 and its outlook for the future. This outlook is based on assessment of the current business environment and the expectations, estimates and projections of the management of the Company. It may vary due to future economic and political development, both in the Indian and international economies and due to other factors beyond control.

Industry Structure and Development

The Indian machine tools sector offers several opportunities for investment. Given the current gap between demand and supply, there is a clear need for adding capacities in this sector. The industry is moving towards increasingly sophisticated CNC machines, driven by demand from key user segments, such as, automobiles and consumer durables, Aerospace etc. Machine tool manufacturers need to develop capabilities to cater to this demand and investments in this area could yield long term benefits.

Segment -wise Performance

The company has a rich experience of 33 years in automobile sector and in manufacturing of auto component such as Cylinder Blocks and Cylinder Heads, further your company planned to expand further and enter into the manufacturing field of Connecting Rod as there is an interest evinced by our clients. For this new Connecting Rod projects, the company will be setting up a new unit and the requisite machines are been sourced from and equipped by German technology.

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

Internal Control Systems and their adequacy

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

Human Resources and Industrial Relations

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

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

The staff strength of the Company as on 31st March, 2017 was 1032 (including trainees, employees on contract).

Financial Overview during the Year:

During the year under review the Company had maintain an all round growth in the operations. The turnover increased by 8.32%.

Cautionary Statement:

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

Annexure - C**SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017**

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

To,
The Members,
Lokesh Machines Limited
(CIN : L29219TG1983PLC004319)
B-29 EEIE Stage - 2, Balanagar
Hyderabad - 500037, Telangana

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Lokesh Machines Limited. Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided and declarations made by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31st March, 2017 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:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by "the Company" for the financial year ended on 31st March, 2017 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (d) The Securities and Exchange Board of India(Share Based Employee Benefits) Regulations, 2013;
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2015;
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India;
- (ii) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015;

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc.

As per the information provided and declaration given by the Company there are no specific acts applicable to the Company for the type of business carried out by the Company.

I further report that 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.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on 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.

Majority decision is carried through and no members has dissented any of the Resolutions.

I further report that 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.

The Company has delayed in payment of Dividend tax during the Financial Year and the same was paid with Interest.

Place: Hyderabad

Date: 31.08.2017

Signature:

S. Chidambaram
Practicing Company Secretary
FCS No. 3935
C P No. 2286

To
The Members of
Lokesh Machines Limite
Hyderabad.

My Secretarial Audit Report of even date is to be read along with this letter.

- 1 The maintenance of Secretarial records is the responsibility of the Management of the Company. Further, the Company is also responsible for devising proper systems and process to ensure the compliance of the various statutory requirements and Governance systems.
- 2 It is the responsibility of the Management of the Company to ensure that the systems and process devised for operating effectively and efficiently.
- 3 My responsibility is to express an opinion on these secretarial records based on my audit.
- 4 I have followed the audit practices and process as were 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. I believe that the process and practices followed provide a reasonable basis for my opinion.
- 5 Wherever required, I have obtained the Management representations about the compliance of laws, rules and regulations and happening of events etc.
- 6 The Compliance of the provisions of other applicable laws, rules and regulations is the responsibility of the management. My examination was limited to the verification of procedure on test basis.
- 7 The secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

Place: Hyderabad

Date: 31.08.2017

Signature:

S. Chidambaram
Practicing Company Secretary
FCS No. 3935
C P No. 2286

REPORT ON CORPORATE GOVERNANCE

In compliance with SEBI(LODR) Regulations 2015, entered with the stock exchanges in India, your Company hereby provides, to the shareholders, the report on Corporate Governance.

I. Company's Philosophy on Corporate Governance:

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

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

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

II. Board of Directors

Composition of the Board:

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

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

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

During the year under review, Eight Board Meetings were held on 11th May, 2016; 28th May, 2016; 28th June, 2016; 12th August, 2016; 20th September 2016; 05th November, 2016; 27th January 2017 and 14th February, 2017.

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	08	08	Yes	4	1	Nil
B. Kishore Babu DIN : 00840630	Promoter-Executive Director	08	08	Yes	3	1	1
M. Srinivas DIN : 00917565	Promoter-Non Executive Director	08	07	Yes	3	1	Nil
M. Srikrishna DIN : 00841388	Promoter-Executive Director	08	08	Yes	1	Nil	Nil
K. Krishna Swamy DIN : 00840887	Non- Promoter, Executive Director	08	02	Yes	Nil	Nil	Nil
B. R. Mahesh DIN :00810019	Independent Non Executive Director	08	08	Yes	4	1	1
R. Mohan Reddy DIN : 00841038	Independent Non Executive Director	08	06	Yes	3	3	3
A. Vijayakumar DIN : 01655185	Independent Non Executive Director	08	02	No	14	Nil	Nil
Smt Bhavana Rao DIN : 00956209	Independent Nominee Director	08	02	No	8	Nil	Nil

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

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

These committees facilitate timely and efficient deliberations and decisions. These committees function within their defined terms of reference in accordance with the Companies Act, 2013; the SEBI (LODR) Regulations 2015 entered with stock exchanges where the shares of the company were listed in India and as approved by the Board of Directors of the company.

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

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

Independent Directors

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

Performance Evaluation of non-executive and Independent Directors

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

III. Audit Committee

a) Brief description and terms of reference

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

The terms of reference of the Audit Committee are comprehensive and cover the matters specified for audit committees under the SEBI (LODR) Regulations 2015 with stock exchanges. The Committee provides the Board with additional assurance as to the adequacy of Company's internal control systems and financial disclosures.

b) Composition

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

The Committee comprises of:

1. Mr. B R Mahesh - Chairman (Independent and Non-Executive Director)
2. Mr. M Srinivas - Member (Executive Director) and
3. Mr. R Mohan Reddy - Member (Independent and Non Executive Director)

c) Meetings and attendance during the year

During the period under review four Audit Committee Meetings were held on Four Board Meetings were held on 28th May, 2016; 12th August, 2016; 05th November, 2016 and 14th February, 2017. 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 held during the tenure	Number of meetings attended	Numbers of meetings
1	Mr. B R Mahesh	4	4
2	Mr. R Mohan Reddy	4	3
3	Mr. M Srinivas	4	3

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

IV Nomination and Remuneration Committee

a) Brief description and terms of reference

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

b) Composition

The Nomination and Remuneration Committee comprises of three Independent Directors as follows:

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

One meeting was held on 12-08-2016 during the year and all directors presented this meeting .

c) Remuneration Policy

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

d) Remuneration paid to Executive Directors

During the period under review, the remuneration paid/payable to the executive directors including the Managing Director is as follows:

(Rs in Lakhs)

Name of the Director	Salary	P.F	Other Allowance	Commission	Total
Mr. M. Lokeswara Rao (Managing Director)	60.00	0.22	-	-	60.22
Mr. B. Kishore Babu Executive Director	39.00	0.22	-	-	39.22
Mr. M. Srinivas Whole-time Director	39.00	0.22	-	-	39.22
Mr. M. Srikrishna Whole-Time Director	39.00	0.22	-	-	39.22

e) Remuneration paid to Non Executive Directors

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

The details of remuneration paid to all the Non-Executive Directors for the year 2016-17 is given below:

Name of Director	Sitting Fees paid (Rs)
Mr. B R Mahesh	60000
Mr. R Mohan Reddy	50000
Mr.A.Vijaykumar	10000
Smt. Bhavana Rao	10000

f) Shareholdings of Non Executive Directors as on March 31, 2017:

Mr. B R Mahesh, Mr. R Mohan Reddy, Mr. A Vijaya Kumar, the Non Executive Independent Directors of the company and Smt. Bhavana Rao Independent Nominee Director of the company, do not hold any shares of the Company.

V. Stakeholders Relationship Committee

The Stakeholders Relationship committee consists of three members namely:

1. Mr. R. Mohan Reddy - Chairman (Independent and Non-executive Director)
2. Mr. M Srikrishna - Member (Executive Director)and
3. Mr. B Kishore Babu - Member (Executive Director)

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

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

During the period under review one Shareholders Grievance Committee Meetings were held on 28th May 2016, The details of attendance of members of the Committee during the year are given below:

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

Compliance Officer

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

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

Details of Investor's Complaints:

There were no complaints pending at the beginning of the year, the Company has received 10 Complaints during the year. The company resolved all of them during the year under review. There are no outstanding complaints as on 31st March, 2017.

VI General Meetings:

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

Year	AGM	Venue	Date	Time
2013-14	30 th	Jubilee Hills International Centre Near Jubilee Hills Check Post, Road No. 14,Hyderabad-500 033	29/09/2014	4:0 0 P.M.
2014-15	31 st	Jubilee Hills International Centre Near Jubilee Hills Check Post, Road No. 14,Hyderabad-500 033	28/09/2015	11:0 0 A.M.
2014-15	32 nd	Jubilee Hills International Centre Near Jubilee Hills Check Post, Road No. 14,Hyderabad-500 033	28/09/2016	11:0 0 A.M.

Special resolutions

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

AGM held on	Whether special resolution passed	Summary of the resolution
28-09-2016	5	<ol style="list-style-type: none"> 1. Revision in the remuneration of Mr M.Lokeswararao as Managing Director 2. Revision in the remuneration of Mr B.Kishore Babuas Executive Director 3. Revision in the remuneration of Mr M.Srinivas Executive director 4. Revision in the remuneration of Mr M Srikrishna as Executive director 5. Ratification of Typo Graphical Errors in the EGM Notice
28-09-2015	5	<ol style="list-style-type: none"> 1. Re- Appointment of Mr M.Lokeswararao as Managing Director 2. Re- Appointment of Mr B.Kishore Babuas Executive Director 3. Re- Appointment of Mr M.Srinivas Executive Director 4. Re- Appointment of Mr M Srikrishna as Executive Director 5. Ratification of Typo Graphical Errors in the EGM Notice
30-09-2014	3	<ol style="list-style-type: none"> 1. Re- Appointment of Mr K Krishna Swamy as a Whole Time Director 2. Section 180(1)(A) 3. Section 180(1)(C)

Postal Ballot:

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

VII. Other Disclosures**Related Party Transactions**

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

Disclosure of Accounting Treatment:

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

Details of non-compliance etc

There has been no instance of non-compliance with any legal requirements nor have there been any strictures imposed by any stock exchange, SEBI on any matters relating to the capital market over the last three years. A Statement of Compliance with all laws and regulations as certified by the Managing Director and Company Secretary is placed at periodic intervals for review by the Board.

Whistle Blower /Vigil Mechanism:

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

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

Code of Conduct

The Company has adopted the Code of Conduct which is applicable to the members of the Board and top management of the Company. The Code of Conduct is available on the Company's website. All directors and senior management personnel have affirmed compliance with the code of conduct and submitted declarations in this behalf for the year ended 31st March 2017.

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

During the financial year 2016-17, the Company has not issued any GDRs/ADRs. However the Company has issued 11,55,000 Equity shares to Non Promoters and 8,63,970 Convertible warrants to promoters and non-promoters convertible into equal number during the Financial Year. 8,63,970 warrants are outstanding as on 31st March, 2017.

VIII Means of Communication

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

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

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

IX General Shareholder Information

a.	Annual General Meeting	
	Date, time and venue of Annual General Meeting	September 28th, 2017, at 11.00 AM at Jubilee Hills International Centre, Near Jubilee Hills Check Post, Road No. 14, Hyderabad - 500 033
b.	Financial Calendar (Tentative)	1st April to 31st March a) Annual General Meeting : September 28, 2017 b) Results for the quarter ending June 30, 2017: on and before 14th September, 2017 c) Results for the quarter ending September 30, 2017 : on or before 14th November, 2017 d) Results for the quarter ending December 31, 2017: on or before 14th February, 2018 e) Results for the Year ending March 31, 2018: on or before 30th May, 2018
c.	Date of Book Closure (both days inclusive)	September 22, 2017 to September 28, 2017 both days inclusive
d.	Listing on Stock Exchanges	The Bombay Stock Exchange Limited P.J.Towers, Dalal Street, Mumbai - 40000 The National Stock Exchange of India Limited Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 00051 Annual Listing fees have been paid for both BSE & NSE.
	Liquidity	The shares of the company are listed in the BSE and NSE and are frequently traded.
e.	Stock Code	532740 (BSE) LOKESHMACH (NSE)
f.	Dematerialisation of shares and liquidity	The Company's equity shares are available for dematerialization on both the Depositories i.e. 1. The National Securities Depository Ltd Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parle Mumbai - 400013
		2. Central Depository Services (India) Ltd Phiroze Jeejeebhoy Towers, 28th Floor Dalal Street, Mumbai - 400023 The International Securities Identification Number (ISIN) allotted to the Company's scrip is ISIN: INE397H01017. 99.9% of equity shares are held in dematerialised form as on March 31, 2017.
g.	Registered Office Address (for correspondence)	B-29, EEIE, Stage II, Balanagar, Hyderabad - 500 037

h.	Registrar and Share Transfer Agent's Contact Address	<p>Karvy Computershare Pvt. Ltd. Karvy Selenium Tower B, Plot No.31-32,Gachibowli Financial District, Nanakramaguda, Serilingampally, Hyderabad - 500 008 Phone : +91 40 67161524 Fax : +91 40 23001153 E-mail: einward.ris@karvy.com Web Site: www.karvy.com</p> <p>Note: Shareholders holding shares in electronic mode should address all correspondence to their respective depository participants</p>
i.	Share transfer system	<p>Shares lodged for physical transfer at the Registrar's address are normally processed within a period of 15 days from the date of lodging, if the documents are clear in all respects. The shares duly transferred would be dispatched to the concerned shareholders within a week from the date of approval of transfers by the Share Transfer Committee.</p>
j.	Details of Compliance Officer	<p>Mr. D.Raghavendra Rao Company Secretary and Compliance Officer Lokesh Machines Limited B-29, EEIE Stage-II Balanagar, Hyderabad-500 037, Telangana, India. Phone : (040) 23079310 /311/312 /313 Fax: (040) 23078274; CIN: L29219TG1983PLC004319 cosecy@lokeshmachines.com investorinfo@lokeshmachines.com</p>
k.	Plant locations	<p>Temple Road, Bonthapally, Medak District, Telangana</p>
		<p>B - 25 & 36, EEIE, Stage II, Balanagar, Hyderabad, Telangana</p>
		<p>Ravalkol village, Medchal Mandal. Rangareddy Distt, Telangana</p>
		<p>Plot No 41, IDA Balanagar, Hyderabad, Telangana</p>
		<p>Plot No D260/1, Ranjangaon Industrial Area, MIDC, Shirur, Pune, Maharashtra</p>

During the financial year 2016-17, the Company has not issued any GDRs/ADRs. However the company has issued 11,55,000 Equity shares to Non Promoters and 8,63,970 Convertible warrants to promoters and non-promoters convertible in to equal number during the Financial Year. 8,63,970 warrants are outstanding as on 31st March, 2017.

Corporate Ethics:

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

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

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

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

Compliance Certificate of Auditors:

The company has obtained a certificate from the statutory auditors confirming the compliance with the conditions of corporate governance as stipulated under SEBI (LODR) Regulations, 2015 which is attached to this report.

Distribution of shareholding as on March 31, 2017

S.No	Category (Amount)	Numbers of Shareholders	% of Shareholders	Number of shares	% of shares
1.	1 to 5000	8850	87.51	1035250	6.07
2.	5001-10000	597	5.90	502290	2.94
3.	10001-20000	294	2.90	454450	2.66
4.	20001-30000	103	1.01	269387	1.58
5.	30001-40000	51	0.50	184343	1.08
6.	40001-50000	49	0.48	230329	1.35
7.	50001-100000	70	0.69	529490	3.10
8.	100001 & Above	99	0.97	13827261	81.18
	Total	10,113	100.00	1,70,32,800	100.00

Shareholding pattern as on March 31, 2017

Category	No of shareholders	Total shares	% of Equity
Clearing Members	45	1622968	9.53
Foreign Portfolio Investors	1	116999	0.69
H U F	426	262481	1.54
Indian Financial Institutions	1	370000	2.17
Indian Promoters	35	9140225	53.66
Bodies Corporates	214	745049	4.37
NBFC	3	3250	0.02
Non Resident Indians	61	29566	0.17
Total	10113	17032800	0.05

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 2015-16 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 16	86.95	73.65	86.90	73.10
	May 16	82.90	72.60	82.55	72.25
	Jun 16	88.80	76.30	88.00	76.95
	July 16	93.20	78.00	94.00	78.05
	Aug 16	87.30	75.15	87.50	75.50
	Sep 16	84.70	72.95	84.80	72.70
	Oct 16	89.70	74.15	89.50	74.10
	Nov 16	83.90	61.15	84.00	61.30
	Dec 16	72.80	63.00	72.00	63.65
	Jan 17	85.90	66.70	85.80	64.70
	Feb 17	91.00	77.00	89.90	76.80
	Mar 17	86.30	77.00	81.80	76.50

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, 2017

For Lokesh Machines Limited

Place: Hyderabad
Date: 31st August, 2017

M. Lokeswara Rao
Managing Director

CEO AND CFO CERTIFICATION

To
The Board of Directors
Lokesh Machines Ltd
Hyderabad

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

- a. We have reviewed the financial statements and the cash flow statements for the year and that to the best of our knowledge and belief.
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading
 - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of Company's code of conduct.
- c. Appropriate internal controls for financial Reporting in place which are Reasonably expected to safeguard assets of the Company and there are no deficiencies in the design or operation of internal Controls, of which we are aware.
- d. During the Financial Year ended 31 st March 2017
 - 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.Lokeswararo
Managing Director

V.Sudhakara Reddy
Chief Financial Officer

CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of Lokesh Machines Limited

We have examined all the relevant records of Lokesh Machines Ltd (“the Company”) for the Year ended on 31st March, 2017, as Stipulation in securities and exchange board of india (Listing Obligations and Disclosure Requirements) as per the listing agreement entered into by the company with the stock exchanges.

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

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

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

For BRAHMAYYA & CO
Chartered Accountants

Place: Hyderabad.
Date: 31st August, 2017

(K. SHRAVAN)
Partner
Membership No. 215798

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LOKESH MACHINES LIMITED, HYDERABAD.

Report on the Financial Statements

We have audited the accompanying financial statements of LOKESH MACHINES LIMITED, ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. 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. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2017, and its Profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements:

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books
 - (c) The Balance Sheet, the Statement of Profit and Loss, 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 Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
 - f) With respect of adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B".
 - g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i) The Company does not have any pending litigations which would impact its financial position.
 - ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
 - iv) The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. Based on audit procedures and relying on the management representation we report that the disclosures are in accordance with the books of account maintained by the Company and as produced to us by the Management – Refer Note 27 (B) (8) to the Financial Statements.

For BRAHMAYYA & CO
Chartered Accountants
Firm Registration No. 000513S

(K. SHRAVAN)
Partner
Membership No. 215798

Place: Hyderabad.
Date: 30.05.2017

Annexure A to the Auditor's Report

The Annexure referred to in Para 1 under the heading of "Report on Other Legal and Regulatory Requirements" of our report of even date, to the members of LOKESH MACHINES LIMITED, HYDERABAD, for the year ended March 31, 2017.,

1. a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b. As explained to us, the management has physically verified the fixed assets during the year and there is a regular programme of physical verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of the assets. No discrepancies were noticed on such verification.
- c. According to the information and explanation given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the names of the Company.
2. As explained to us, the inventories have been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of verification is reasonable. The discrepancies noticed on physical verification between the physical stocks and book records were not material.
3. a. During the year, the Company has not granted any loans, secured or unsecured to Companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.
- b. In view of our comments in para (a) above, Clause (III) (a), (b) and (c) of paragraph 3 of the aforesaid order are not applicable to the Company.
4. In our opinion and according to the information and explanation given to us, the Company has not advanced any loan to any Director and no investments were made during the year as referred to in sections 185 and 186 of the Act. Therefore, the provisions of Paragraph 3(iv) of the Companies (Auditor's Report) Order 2016 are not applicable to the Company
5. The Company has not accepted any deposits from the public. Hence the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013, and the rules framed there under, do not apply to this Company.
6. We have broadly reviewed the cost records maintained by the Company pursuant to sub-section (1) of section 148 of the Companies Act, 2013 and are of the opinion that prime facie the prescribed accounts and records have been made and maintained. We have however not made a detailed examination of the cost records with a view to determine whether they are accurate or Complete.
7. a. According to the records, the company is not regular in depositing undisputed statutory dues including provident fund, employees' state insurance, Income-tax, Sales-tax, Service tax, Duty of customs, Duty of excise, Value added tax, Cess and all other statutory dues with the appropriate authorities and there were no arrears of outstanding statutory dues as at the last day of the financial year 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 loans or borrowings to any financial institutions and Banks except an amount of Rs. 374.03 Lacs is due to IFCI as at the year end.
9. The Company did not raise any money by way of initial public offer or further public offer (including debt instrument) and term loans during the year. Accordingly, the provisions of paragraph 3 (ix) of the Companies (Auditor's Report) Order 2016 are not applicable.
10. According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.

11. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
12. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Companies (Auditor's Report) Order 2016 is not applicable.
13. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
14. During the year under review, the Company during the year has made preferential allotment of Equity shares and requirements of Section 42 and other provisions of the Companies Act, 2013 have been complied with.
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 BRAHMAYYA & CO
Chartered Accountants
Firm Registration No. 000513S

Place: Hyderabad.
Date: 30.05.2017

(K. SHRAVAN)
Partner
Membership No. 215798

Annexure - B to the Auditor's Report

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

We have audited the internal financial controls over financial reporting of LOKESH MACHINES LIMITED, HYDERABAD ("the Company") as of 31st March 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

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

Meaning of Internal Financial Controls over Financial Reporting

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

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

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For BRAHMAYYA & CO
Chartered Accountants
Firm Registration No. 000513S

(K. SHRAVAN)
Partner
Membership No. 215798

Place: Hyderabad.
Date: 30.05.2017

BALANCE SHEET AS AT 31st MARCH 2017

Rs. in Lakhs

PARTICULARS	Note No.	As At 31st March 2017	As At 31st March 2016
A. EQUITY AND LIABILITIES			
1 Shareholders' Funds			
(a) Share Capital	1	1,703.28	1,471.07
(b) Reserves and Surplus	2	11,367.10	9,876.92
(c) Money received against share warrants		275.92	145.88
2 Non-Current liabilities			
(a) Long-term borrowings	3	1,879.33	2,712.98
(b) Deferred tax liabilities (Net)	4	863.31	894.03
(c) Other Long term liabilities	5	440.15	901.76
(d) Long term provisions	6	283.62	267.84
3 Current liabilities			
(a) Short-term borrowings	7	6,560.12	6,999.50
(b) Trade payables	8	2,920.02	2,969.16
(c) Other Current liabilities	9	3,273.98	3,009.64
(d) Short term provisions	10	429.60	477.91
		29,996.43	29,726.69
B ASSETS			
1 Non Current Assets			
(a) Fixed Assets			
Tangible assets	11	8,920.10	9,838.84
Intangible assets		16.62	19.01
Capital Work-in-Progress		4,108.13	2,913.46
(b) Non Current Investments	12	600.00	600.00
(c) Long term loans and advances	13	856.72	1,249.75
(d) Other non-current assets	14	913.43	991.04
2 Current Assets			
(a) Inventories	15	9,564.60	9,069.83
(b) Trade Receivables	16	2,651.03	2,960.38
(c) Cash and cash equivalents	17	228.59	258.62
(d) Short term loans and advances	18	1,341.15	974.48
(e) Other current assets	19	796.06	851.28
		29,996.43	29,726.69
Accounting Policies and Notes on accounts	27	-	-

The notes referred to above form an integral part of these the financial statements

As per our report of even date attached

for **BRAHAMAYYA & CO**

Chartered Accountants

Firm's Registration No. : 000513S

K. SHRAVAN

Partner

Membership No. 215798

Place : Hyderabad

Date: 30th May, 2017

For and on behalf of the Board

M. LOKESWARA RAO

Managing Director

B. KISHORE BABU

Executive Director

D. RAGAVENDRA RAO

Company Secretary

V. SUDHAKARA REDDY

Chief Financial Officer

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31st MARCH, 2017

Rs. in Lakhs

PARTICULARS	Note No.	For the Year Ended 31st March 2017	For the Year Ended 31st March 2016
I INCOME			
Revenue from Operations	20	13,177.82	12,107.33
Other Income	21	35.18	90.87
Total Revenue		13,213.00	12,198.20
II EXPENSES			
Cost of Material consumed	22	6,818.60	6,548.65
Changes in inventories of finished goods and work in progress	23	(402.70)	(382.64)
Employee benefits expense	24	2,775.74	2,479.42
Financial costs	25	1,664.06	1,535.87
Depreciation and amortization expenses	11	818.49	740.83
Other expenses	26	2,302.29	2,063.57
		13,976.48	12,985.70
Less : Captive consumption		1,107.25	1,139.61
Total Expenses		12,869.23	11,846.09
III Profit before taxes		343.77	352.11
IV Tax expenses			
- Current year IncomeTax		155.00	78.75
- Deferred Tax		(30.71)	59.55
		124.29	138.30
V Profit for the year after taxes		219.48	213.81
VI Earning per equity share (Amount in Rs.)			
Basic		1.29	1.45
Diluted		1.23	1.35
Notes forming part of accounts	27		

The notes referred to above form an integral part of these financial statements

As per our report of even date attached

for **BRAHAMAYYA & CO**
Chartered Accountants
Firm's Registration No. : 000513S

For and on behalf of the Board

K. SHRAVAN
Partner
Membership No. 215798

M. LOKESWARA RAO
Managing Director

B. KISHORE BABU
Executive Director

Place : Hyderabad
Date: 30th May, 2017

D. RAGAVENDRA RAO
Company Secretary

V. SUDHAKARA REDDY
Chief Financial Officer

Notes to the Financial Statements for the year ended 31st March 2017

NOTE 1 - SHARE CAPITAL

Rs. in Lakhs

Particulars	As at 31 March 2017		As at 31 March 2016	
	Number	Amount	Number	Amount
Authorised				
Equity Shares of Rs.10 each	20,000,000	2,000.00	17,500,000	1,750.00
	20,000,000	2,000.00	17,500,000	1,750.00
Issued, Subscribed and Paid-Up				
Equity Shares of Rs.10 each	17,032,800	1,703.28	14,710,734	1,471.07
Total	17,032,800	1,703.28	14,710,734	1,471.07

(a) Disclosure pursuant to Note 6(A)(d) of Part 1 of Schedule III to the Companies Act, 2013

Particulars	31.03.2017	31.03.2016
Equity shares outstanding at the beginning of the year	14,710,734	11,777,400
Issued during the year	2,322,066	2,933,334
Equity Shares redeemed/bought back during the year	-	-
Equity shares outstanding at the end of the year	17,032,800	14,710,734

All the equity shares carry equal rights and obligations including voting.

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

Particulars	As at 31 March 2017		As at 31 March 2016	
	No of shares	% of Holding	No of shares	% of Holding
M.Lokeswara Rao	792,217	4.65	801,872	5.45
M.Vijayalakshmi	1,844,913	10.83	1,844,913	12.54
M.Srinivas	1,921,615	11.28	1,343,271	9.13
M.Srikrishna	1,812,271	10.64	1,502,782	10.22
B.Kishore babu	1,097,009	6.44	941,020	6.40
Ashish Kacholia	200,000	1.17	1,600,000	10.88
Sushmita Ashish Kacholia	1,150,000	6.75	0	0

Notes to the financial statements for the year ended 31st March 2017 (Continued)

NOTE 2 - RESERVES AND SURPLUS

Rs. in Lakhs

PARTICULARS	As at 31 March 2017	As at 31 March 2016
(a) Capital Reserve (Central Subsidy)		
At the Commencement of the year	15.00	15.00
Closing Balance	15.00	15.00
(b) Capital Redemption Reserve		
At the Commencement of the year	150.00	150.00
Closing Balance	150.00	150.00
(c) Securities Premium Reserve		
At the Commencement of the year	5,508.20	4,334.87
Add : Current year additions by issue of shares	1,275.33	1,173.33
Closing Balance	6,783.53	5,508.20
(d) General Reserve		
At the Commencement of the year	425.00	425.00
Add: Current year transfer	-	-
Closing Balance	425.00	425.00
(e) Surplus		
At the Commencement of the year	3,778.72	3,660.39
Add: Current year transfer	219.48	213.81
	3,998.20	3,874.20
Less: Equity Dividend	3.85	79.33
Corporate Dividend Tax	0.78	16.15
Closing Balance	3,993.57	3,778.72
Total	11,367.10	9,876.92

NOTE 3 - LONG TERM BORROWINGS

Rs. In Lakhs

PARTICULARS	As at 31 March 2017	As at 31 March 2016
I Term Loans - Secured		
a) State Bank of Hyderabad -Term loan - 4	44.62	210.00
b) Punjab National Bank -Term loan - 3	561.00	561.00
c) Punjab National Bank -Term loan - 4	48.90	78.30
d) State Bank of India -Term loan - 2	422.17	521.04
e) Mahindra & Mahindra Finance Ltd	767.77	1,341.04
Total	1,844.46	2,711.38

- 1 The Loans referred at (a) above are secured by Extension of 1st pari-passu charge on current assets, 2nd charge on the fixed assets pari-passu basis and immovable property at Medchel standing in the name of Mr. M.Lokeshwara Rao.

Notes to the financial statements for the year ended 31st March 2017 (Continued)

- 2 The Loans referred at (b) & (d) above are secured by 1st pari-passu charge by hypothecation of land & buildings and Plant & Machinery, created out of bank finance as per 2DI and Connecting rod expansion plan at Pune and guaranteed by Managing Director and Executive Director & 2nd pari-passu charge on the fixed assets of the company(other than project assets exclusively financed) and current assets of the company.
- 3 The Loans referred at (c) above are secured by 1st pari-passu charge by hypothecation Plant & Machinery, created out of bank finance at pune and guaranteed by Managing Director and Executive Director & 2nd pari-passu charge on the fixed assets of the company(other than project assets exclusively financed) and current assets of the company.
- 4 The Loans referred at (e) above are secured by 1st pari-passu charge by hypothecation of movable fixed assets (Plant & Machinery), created out of finance and guaranteed by Managing Director and Director.

Terms of Repayments

	Sanction date	Rate of Interest	Quarterly
a) State Bank of Hyderabad -Term loan - 4	02.09.2013	14.20%	16
b) Punjab National Bank -Term loan - 3	15.11.2010	14.85%	24
c) Punjab National Bank -Term loan - 4	30.12.2014	14.85%	20
d) State Bank of India -Term loan - 2	25.07.2012	15.60%	28
II Vehicle Hire Purchase Loans		34.87	1.60
		34.87	1.60
1 Hire Purchase Loans above are secured by hypothecation of the respective asset and guaranteed by one of the Directors of the Company			
2 Terms of Repayment : Monthly Installments.			
Total (I+II)		1,879.33	2,712.98

Notes to the financial statements for the year ended 31st March 2017 (Continued)

NOTE 4 - DEFERRED TAX LIABILITIES(NET)

Rs. In Lakhs

PARTICULARS	As at 31 March 2017	As at 31 March 2016
Deferred tax liability Difference between book and tax depreciation of fixed assets	957.08	982.58
Deferred tax asset On account of provisions charged to the statement of profit and loss but not allowed as per Income tax Act.		
Gratuity provision	56.19	52.62
Leave encashment provision	37.58	35.93
	93.77	88.55
Total	863.31	894.03

NOTE 5 - OTHER LONG TERM LIABILITIES

Rs. In Lakhs

Creditors for Capital expenditure	79.34	284.17
Advance from customers	209.54	153.59
Advance received against sale of asset	151.27	464.00
Total	440.15	901.76

NOTE 6 - LONG TERM PROVISIONS

Rs. In Lakhs

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

NOTE 7 - SHORT TERM BORROWINGS

Rs. In Lakhs

Secured		
(a) Loans repayable on demand from banks		
1. State Bank of Hyderabad		
Cash Credit	890.14	1,106.29
WCDL	960.00	960.00
2. State Bank of India		
Cash Credit	2,150.00	2,153.65
3. Punjab National Bank		
Cash Credit	62.15	471.25
WCDL	760.00	760.00
4. Indusind Bank - Cash Credit	1,150.00	1,169.63
	5,972.29	6,620.82

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

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

(b) Unsecured Loans		
From Companies	587.83	378.68
	587.83	378.68
Total (a+b)	6,560.12	6,999.50

Notes to the financial statements for the year ended 31st March 2017 (Continued)

NOTE 8 - TRADE PAYABLES

Rs. In Lakhs

PARTICULARS	As at 31 March 2017	As at 31 March 2016
Trade payables	2,920.02	2,969.16
Total	2,920.02	2,969.16

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

NOTE 9 - OTHER CURRENT LIABILITIES

Rs. In Lakhs

PARTICULARS	As at 31 March 2017	As at 31 March 2016
Current maturities of long-term debt		
a) State Bank of Hyderabad -Term loan - 4	180.00	180.00
b) Punjab National Bank -Term loan - 4	8.49	28.50
c) State Bank of India -Term loan - 2	100.00	100.00
d) Non Convertible Debentures from IFCI	374.04	703.46
e) Vehicle hire purchase loans	21.40	4.22
f) Mahindra & Mahindra Finance Ltd	595.19	498.52
	1,299.12	1,514.70
a) Interest accrued and due on borrowings	243.73	106.69
b) Unpaid dividend	1.01	1.01
c) Other payables-Statutory	243.69	142.03
d) Other payables	583.90	562.17
e) Advances received against sales	902.53	683.04
	1,974.86	1,494.94
Total	3,273.98	3,009.64

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

NOTE 10 -SHORT TERM PROVISIONS

Rs. In Lakhs

(a) Provisions for employee benefits		
Salary & Reimbursements	379.23	340.68
Bonus Payable	50.37	41.75
(b) Others (Specify nature)		
Proposed Equity Shares dividend	-	79.33
Corporate Dividend Tax	-	16.15
Total	429.60	477.91

Notes to the financial statements for the year ended 31 March 2017 (Continued)

NOTE 11 - FIXED ASSETS (Rupees in Lakhs)

Sl. No.	PARTICULARS	GROSS BLOCK			ACCUMULATED DEPRECIATION				NET BLOCK	
		As at 1 April 2016	Additions during the year	Deletions adjustments	As at 31 March 2017	Charge for the year	Deletions/ adjustments	Upto 31 March 2017	As at 31 March 2017	At at 31 March 2016
A	Tangible Assets									
1)	Freehold Land	1,497.07	-	-	1,497.07	-	-	-	1,497.07	1,497.07
2)	Buildings	2,366.32	-	-	2,366.32	74.77	-	752.07	1,614.25	1,689.02
3)	Plant and Machinery	11,799.68	48.98	673.73	11,174.93	511.48	400.71	6,353.37	4,821.56	5,557.08
4)	Furniture & Fixtures	93.52	-	-	93.52	6.20	-	77.95	15.57	21.77
5)	Vehicles	340.54	76.87	37.27	380.14	296.97	35.41	282.38	97.76	43.57
6)	Misc. Equipment	2,024.74	40.69	-	2,065.43	1,004.13	-	1,201.25	864.18	1,020.61
7)	Office Equipment	67.74	1.85	-	69.59	61.64	-	65.15	4.44	6.10
8)	Computers	285.02	3.85	-	288.87	281.40	-	283.60	5.27	3.62
	Total	18,474.63	172.24	711.00	17,935.87	816.10	436.12	9,015.77	8,920.10	9,838.84
B	In tangible Assets									
	Computer software	60.89	-	-	60.89	41.88	-	44.27	16.62	19.01
	Total	18,535.52	172.24	711.00	17,996.76	818.49	436.12	9,060.04	8,936.72	9,857.85
	March 31, 2016	16,076.28	2,822.52	363.28	18,535.52	8,264.90	328.06	8,677.67	9,857.85	
C	Capital work inpro	2,913.46	1,194.67	-	4,108.13				4,108.13	2,913.46

Notes to the financial statements for the year ended 31st March 2017 (Continued)

NOTE 12 - NON CURRENT INVESTMENTS

Rs. In Lakhs

PARTICULARS	As at 31 March 2017	As at 31 March 2016
(At Cost, Non Trade, Long term) Investment in Group Companies		
a) 5,00,000 Equity shares of Rs.10/- each in M/s MLR Motors Ltd	500.00	500.00
b) 5,00,000 Equity shares of Rs.10/- each in M/s MLR Auto Ltd	100.00	100.00
Total	600.00	600.00

NOTE 13 - LONG TERM LOANS AND ADVANCES

Rs. In Lakhs

(Un secured - considered good)		
Capital advances	856.72	1,249.75
Total	856.72	1,249.75

Capital advances includes Rs.855.00 lakhs(Previous year Rs. 1248.02 lakhs) given to the group companies towards purchase of Land and Machinery.

NOTE 14 - OTHER NON CURRENT ASSETS

Rs. In Lakhs

(Un secured - considered good)		
Deposits (APSEB Electricit, Telephone, Tenders etc)	202.03	181.02
Trade Receivables	711.40	810.02
Total	913.43	991.04

1 Trade receivables include Rs.314.87 Lakhs (Previous Year Rs. 314.87 Lakhs) due from Group companies.

NOTE 15 - INVENTORIES

Rs. In Lakhs

(Valued and certified by the Management)		
a) Raw Materials & Components	1,722.39	1,630.32
b) Finished Goods	534.53	526.91
c) Work-in-Progress	7,296.41	6,902.35
d) Scrap (at realisable value)	11.27	10.25
Total	9,564.60	9,069.83

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

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

Notes to the financial statements for the year ended 31st March 2017 (Continued)

NOTE 16 - TRADE RECEIVABLES

Rs. In Lakhs

PARTICULARS	As at 31 March 2017	As at 31 March 2016
Receivables for a period exceeding six months		
Un secured, Considered Good	604.88	570.53
Receivables for a period less than six months		
Un secured, Considered Good	2,046.15	2,389.85
Total	2,651.03	2,960.38

NOTE 17 - CASH AND BANK BALANCES

Rs. In Lakhs

a) Cash and cash equivalents		
Cash on hand	1.12	2.73
Balances with banks:		
Current accounts with Scheduled Banks	148.68	111.85
Balance with Banks against Dividend payments	1.26	1.26
b) Other bank balances		
Balance with Banks against Margin / Guarantee	77.53	142.78
Total	228.59	258.62

NOTE 18 - SHORT TERM LOANS AND ADVANCES

Rs. In Lakhs

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

NOTE 19 - OTHER CURRENT ASSETS

Rs. In Lakhs

(Un secured - considered good)		
Balance with Central Excise authorities	466.29	487.38
Provision for Income Tax (Net)	265.36	289.80
Interest accrued on deposits	26.53	30.57
Prepaid expenses	37.88	43.53
Total	796.06	851.28

Notes to the financial statements for the year ended 31st March 2017 (Continued)

NOTE 20 - REVENUE FROM OPERATIONS

Rs. In Lakhs

PARTICULARS	As at	
	31 March 2017	As at 31 March 2016
Sale of Machines -Domestic	9,391.21	8,348.10
Sale of Machines -Export	-	398.04
Sale of Connecting Rods	1,256.67	581.61
Sale of Spares	217.19	164.96
Job work charges	5,150.60	5,187.41
Scrap Sales	119.86	70.68
	16,135.53	14,750.80
Less : Excise duty	2,957.71	2,643.47
Total	13,177.82	12,107.33

Detail of sales	2016-17		2015-16	
	Qty	Value	Qty	Value
Special Purpose Machines	30	1,354.30	14	1,368.52
General Purpose Machines (ind)	444	8,036.91	304	6,979.58
GPM Machies exports	-	-	17	398.04
Sale of Connecting Rods		1,256.67		581.61
Spares & Scrap		337.05		235.64
Jobwork charges		5,150.60		5,187.41
	474	16,135.53	335	14,750.80

NOTE 21 - OTHER INCOME

Rs. In Lakhs

PARTICULARS	As at	
	31 March 2017	As at 31 March 2016
Interest Income	12.03	16.95
Profit on sale of assets	7.75	
Exchange variance	10.57	1.06
Miscellaneous Income	4.83	72.86
Total	35.18	90.87

NOTE 22 - COST OF MATERIAL CONSUMED

Rs. In Lakhs

Opening stock			1,630.32	1,445.01
Add: Purchase			6,910.67	6,733.96
			8,540.99	8,178.97
Less: Closing Stock			1,722.39	1,630.32
Total			6,818.60	6,548.65

Value of imported and Indigenous Material consumed				
	2016-17		2015-16	
	Value	%	Value	%
Imported at landed cost	626.73	9.19	621.32	9.49
Indigenously obtained	6,191.87	90.81	5,927.33	90.51
	6,818.60	100.00	6,548.65	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 2017 (Continued)

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

PARTICULARS	Current Year 31 March 2017	Previous Year 31 March 2016
Opening Stock		
Finished Goods	526.91	516.60
Work-in-Progress	6,902.35	6,530.26
Scrap	10.25	10.01
	7,439.51	7,056.87
Closing Stock		
Finished Goods	534.53	526.91
Work-in-Progress	7,296.41	6,902.35
Scrap	11.27	10.25
	7,842.21	7,439.51
Total	(402.70)	(382.64)

NOTE 24 - EMPLOYEE BENEFITS EXPENSES

Rs. In Lakhs

Salaries, Wages and Bonus	2,584.06	2,306.25
Contribution to PF,ESI and Other Funds	98.58	100.48
Staff Welfare expenses	93.10	72.69
Total	2,775.74	2,479.42
Employee benefits expenses include managerial remuneration as detailed below:		
Salary	177.00	105.00
Provident Fund	0.86	0.86
Sitting fees	1.30	1.15
	179.16	107.01

NOTE 25 - FINANCE COSTS

Rs. In Lakhs

Interest expenses	1,584.77	1,451.26
Bank charges	79.29	84.61
Total	1,664.06	1,535.87

Notes to the financial statements for the year ended 31st March 2017 (Continued)

NOTE 26 - OTHER EXPENSES

Rs. In Lakhs

PARTICULARS	Current Year 31 March 2017	Previous Year 31 March 2016
Consumable Stores	116.93	84.19
Job works (processing charges)	323.29	245.63
Packing material	116.06	112.31
Freight and cartage	180.65	149.93
Power and fuel	607.60	591.79
Testing charges	31.30	14.40
Repairs and Maintenance - Plant and Machinery	76.03	85.19
Rent	8.49	6.93
Rates and Taxes	34.11	32.12
Insurance	20.14	20.73
Travelling and Conveyance	197.74	184.86
Printing and Stationery	35.75	24.12
Postage and Telephones	25.46	23.67
Vehicles Maintenance	42.11	45.17
Directors Sitting Fee	1.30	1.15
Sales Commission	88.47	108.38
Professional Charges	69.28	55.19
Auditor's Remuneration :		
- As Auditors	5.00	5.00
Business Promotion Expenses	11.83	9.60
Advertisement	1.30	1.46
Donations	0.83	0.80
Miscellaneous Expenses	71.20	58.33
Security Charges	31.45	50.04
Exhibition expenses	31.28	9.56
Excise duty relating to Finished Goods	0.85	10.30
Service charges	173.02	113.42
Loss on sale of investment /assets	-	11.49
Exchange variance	0.82	7.81
Total	2,302.29	2,063.57

Notes to the financial statements for the year ended 31st March 2017 (Continued)**NOTE 27 - NOTES FORMING PART OF ACCOUNTS****A SIGNIFICANT ACCOUNTING POLICES****1 Basis of Accounting**

The Company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis. The accounts are prepared on historical cost convention and in accordance with generally accepted accounting principles and Accounting Standards issued by the Institute of Chartered Accountants of India.

2 Fixed Assets and Depreciation

(a) Fixed assets are stated at cost net of accumulated depreciation. Expenditure during construction period including interest on borrowings for new major projects are capitalized till the commencement of commercial production.

(b) Depreciation is provided at the rates specified under Schedule II of the Companies Act, 2013 as follows:

In respect of Plant & Machinery and Buildings	: Straight Line Method
Other fixed Assets	: Written down value method

3 Inventories

(a) Raw Materials, and Consumable Stores are valued at cost on first in first out basis (FIFO).

(b) Finished goods and Work-in-progress are valued at lower of cost and net realizable value on full absorption cost basis.

4 Foreign Currency Transactions

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

5 Contingent Liabilities

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

6 Retirement Benefits

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

7 Accounting For Income Tax

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

8 Deferred Income tax

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

9 Leases

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

10 Sales

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

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

Figures in Rs. Lakhs

Particulars		As on 31.03.2017	As on 31.03.2016
1	Contingent Liabilities not provided for on account of :		
	(a) Letter of Credit	461.50	696.05
	(b) Bank Guarantees	175.10	225.87
	(c) Contracts to be executed on capital projects	250.00	200.00
2	Earnings in Foreign Exchange FOB value of Exports	-	398.04
3	Expenditure in Foreign Currency.		
	(a) Travel	6.34	8.90
	(b) Captial Goods	-	-
	(c) Stores & Components	595.06	498.99
4	Value of Imports calculated on CIF basis in respect of :		
	(a) Stores, Spares & Components	778.52	683.49
	(b) Captial Goods	-	-

5 Employee Benefits : Gratuity

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

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

Particulars		As on 31.03.2017	As on 31.03.2016
a	Table showing changes in present value of obligations		
	Present value of obligations as at beginning of year	154.86	135.89
	Interest cost	11.55	10.87
	Current Service Cost	10.69	9.55
	Benefits Paid	0.00	-13.79
	Actuarial gain / (Loss) on obligations	(7.16)	12.34
	Present value of obligations as at end of year	169.94	154.86
b	Table showing changes in the fair value of plan assets		
	Fair value of plan assets at beginning of year	3.11	2.55
	Expected return on plan assets	0.26	0.40
	Contributions	0.00	13.95
	Benefits Paid	0.00	-13.79
	Actuarial gain / (Loss) on Plan assets	-	-
	Fair value of plan assets at the end of year	3.37	3.11
c	Table showing fair value of plan assets		
	Fair value of plan assets at beginning of year	151.75	145.28
	Actual return on plan assets	-0.26	-0.40
	Contributions	14.83	-13.79
	Benefits Paid	0.00	-3.11
	Fair value of plan assets at the end of year	166.32	127.98
	Funded status	166.58	151.75
	Excess of Actual over estimated return on plan assets (Actual rate of return = Estimated rate of return as ARD falls on 31st March)	Nil	Nil
d	Assumptions		
	Discount rate	7.46%	8%
	Salary Escalation	4.00%	4%

Employee Benefits : Actuarial valuation of Leave encashment

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

Profit & Loss Account		
Current Service cost	1.49	14.04
Interest Cost on benefit obligation	8.11	4.92
Expected return on plan assets		
Net Actuarial (gain). Loss recognised in the year	(4.59)	(28.16)
Past service cost		
Net Benefit expense	5.01	47.12

Particulars	As on 31.03.2017	As on 31.03.2016
Actual return on Plan assets		
Balance Sheet		
Details of provision for Leave		
Change in the present value of the defined benefit obligation are as follows :		
Opening defined benefit obligation	108.67	61.54
Interest Cost	8.11	4.92
Current Service cost	1.49	14.04
Benefits Paid	0.00	0.00
Actuarial (gains) / losses on obligation	-4.59	28.16
Closing defined benefit obligation	113.68	108.66

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

Assumptions	%	%
Salary Rise	4.00	4.00
Discount rate	7.46	8.00
Attrition Rate	5.60	5.60

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

a) Transactions during the year

Figures in Rs. In Lakhs

Name of the party	Relationship	Nature of transaction	31.03.2017	31.03.2016
M.Lokeswara Rao Managing Director	Key Management	a) Remuneration	60.00	60.00
B.Kishore Babu Executive Director	Key Management	a) Remuneration	39.00	21.00
M. Srinivas Director	Key Management	a) Remuneration	36.60	21.00
M.Srikrishna Director	Key Management	a) Remuneration	39.00	21.00
MLR Auto Ltd	Entity owned or significantly influenced by key Management Personnel	Refund of advance against Purchase of Asset	0.00	-265.00
		Sales of Goods	0.00	0.00
MLR Motors Ltd	Entity owned or significantly influenced by key Management Personnel	Refund in advance against purchase of asset goods	-393.03	0.00
		Sales of Goods	0.00	0.00

b) Payable as at 31.03.2017

Figures in Rs. In Lakhs

Name of the party	Relationship	Nature of transaction	31.03.2017	31.03.2016
M.Lokeswara Rao Managing Director	Key Management	a) Remuneration	5.00	7.00
		b) Purchase of asset	61.76	61.76
B.Kishore Babu Executive Director	Key Management	a) Remuneration	3.25	1.75
M.Srinivas Director	Key Management	a) Remuneration	3.25	1.75
M.Srikrishna Director	Key Management	a) Remuneration	3.25	1.75
C.Srirekha	D/o of M.Lokeswara Rao	a) Purchase of Asset	14.76	14.76
MLR Auto Ltd	Entity owned or significantly influenced by key management personnel	a) Purchase of Asset	791.83	791.83
		b) Sale of goods	69.08	69.08
MLR Motors Ltd	Entity owned or significantly influenced by key management personnel	a) Purchase of Asset	63.17	456.19
		b) Sale of goods	245.79	245.79

7 Segment Information

(Rs. In Lakhs)

Particulars	Machine Division	Components Division	Unallocated	Total
Revenue				
External sales	8,690.96 -7,970.32	4,486.86 -4,137.01	- -	13,177.82 -12,107.33
Inter-segment sales	-	-	-	-
Total revenue	8,690.96 -7,970.32	4,486.86 -4,137.01	-	13,177.82 -12,107.33
Segment Results	2,331.29 -2,017.75	375.23 -466.65	-	2,706.52 -2,484.40
Corporate expenses			733.87 -687.30	733.87 -687.30
Other income				23.15 -73.93
Interest income				12.03 -16.94
Interest expenses				1,664.06 -1,535.87
Profit before taxes				343.77 -352.10
Taxes on income				124.29 -138.29
Net profit				219.48 -213.81
Segment Assets	20,349.58 -19,570.25	9,646.86 -10,135.19		29,996.44 -29,705.44
Segment liabilities	11,230.59 -11,547.10	5,419.55 -6,657.50		16,650.14 -18,204.60
Capital expenditure	141.78 -107.17	32.42 -2,736.53		174.20 -2,843.70
Segment depreciation	267.77 -240.90	550.72 -499.93		818.49 -740.83
Non-cash expenses other than depreciation			0.00	0.00

(Amounts in brackets represent previous year figures)

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

Secondary segment reporting is performed on the basis of geographical location of customers. The operations of the company are largely confined to India, with exports contributing to approximately 0% of its annual net sales. The management views the Indian market and export market as distinct geographical segments.

Segment revenue and results

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

Segment assets and liabilities

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

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

Inter segment transfers

There were no inter-segment transfers during the year.

8 Disclosure regarding pursuant to circular No. G.S.R. 308(E) dated March 30,2017

Details of specified bank notes (SBN) held and transacted during the period from November 08, 2016 to December 30, 2016 is provided in the table below :

Figures in Lakhs

Particulars	SBN's Denomination Notes	Other	Total
Closing cash in hand on 08.11.2016	2.13	1.57	3.70
Add : Withdrawal from bank accounts		5.70	5.70
Add : Permitted receipts		0.06	0.06
Less : Permitted payments	2.13	4.47	6.59
Less : Amount deposited in bank accounts			0.00
Closing cash in hand as on 30.12.2016	0.00	2.87	2.87

- 9 During this financial year, the company has converted the balance of convertible warrants of 11,67,066 out of 31,00,400 which was issued during the previous year into equity.

The Company has decided to issue 11,55,000 equity shares of Rs. 10/- each with a premium of Rs. 70/- to non promoters and 8,63,970 convertible warrants of Rs 10/- each with premium of Rs. 70/- to promoters and non promoters on preferential basis in the EGM conducted on 10.06.2016 . Accordingly company has issued 11,55,000 equity shares to non promoters and 8,63,970 convertible warrants to promoters and non promoters in Board Meeteing conducted on 28.06.16 but not covered into equity during this financial year.

- 10 In the opinion of the Board, the current assets and loans & advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated.
- 11 Previous year's figures have been re-grouped and/or reclassified wherever necessary to make them comparable with those of current year.

As per our report of even date attached

for **BRAHAMAYYA & CO**

Chartered Accountants

Firm's Registration No. : 000513S

For and on behalf of the Board

K. SHRAVAN

Partner

Membership No.215798

M. LOKESWARA RAO

Managing Director

B. KISHORE BABU

Executive Director

Place : Hyderabad

Date: 30th May, 2017

D. RAGAVENDRA RAO

Company Secretary

V. SUDHAKARA REDDY

Chief Financial Officer

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2017

(Rupees in Lakhs)

PARTICULARS	As at 31st March 2017	As at 31st March 2016
Cash flow from operating activities		
Profit before taxes	343.77	352.11
Adjusted for		
Depreciation	818.49	740.83
Financial charges	1,664.06	1,535.87
Loss on sale investments		10.00
Loss / (Profit) on sale of assets	(7.75)	1.49
Interest Income	(12.03)	(16.95)
Operating profit before working capital changes	2,806.54	2,623.35
Adjustment for changes in		
Decrease/(Increase) in Receivables	47.03	(962.42)
Decrease/(Increase) in Inventories	(494.78)	(567.95)
Decrease/(Increase) in Trade and other payables	(104.91)	686.99
Cash generated from operations	2,106.39	1,675.32
Direct taxes paid	(147.49)	(104.65)
Net Cash Flow from Operating Activity (A)	1,675.32	2,362.15
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets including CWIP and capital advances	(973.88)	(1,405.14)
Sale of assets	282.63	33.73
Sale of Investments	-	190.00
Interest received	16.07	19.91
Net Cash Flow from Investing Activity (B)	(675.18)	(1,161.50)
CASH FLOW FROM FINANCING ACTIVITIES		
Increase/(Decrease) in Bank Borrowings	(1,488.60)	(397.96)
Proceeds from share application money	130.03	145.88
Increase in share capital & Share premium	1,507.53	941.67
Dividend paid	(83.18)	(72.00)
Interest paid	(1,527.02)	(1,989.70)
Net Cash Flow from Financing Activity (C)	(1,461.24)	(1,372.11)
Net Increase/(Decrease) in Cash/Cash equivalents (A+B+C)	(30.03)	(858.29)
Add: Cash/Cash equivalents at the beginning of the year	258.62	1,116.91
Cash/Cash equivalents at the end of the year	228.59	258.62

As per our report of even date attached

for **BRAHAMAYYA & CO**

Chartered Accountants

Firm's Registration No. : 000513S

For and on behalf of the Board

K. SHRAVAN

Partner

Membership No.215798

M. LOKESWARA RAO

Managing Director

B. KISHORE BABU

Executive Director

Place : Hyderabad

Date: 30th May, 2017**D. RAGAVENDRA RAO**

Company Secretary

V. SUDHAKARA REDDY

Chief Financial Officer

LOKESH MACHINES LIMITED

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

THIRTY THIRD ANNUAL GENERAL MEETING

Form No: MGT 11

PROXY FORM

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

Name of the Shareholder(s): _____

Registered Address:_____

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

DPID: _____

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

1. Name:_____

Address:_____

E-mail ID:_____ Signature: _____

Or failing him/ her

2. Name:_____

Address:_____

E-mail ID:_____ Signature: _____

Or failing him/ her

3. Name:_____

Address:_____

E-mail ID:_____ Signature: _____

as my/ our proxy to attend and vote (on poll) for me/ us, on my/ our behalf at the 33rd Annual General Meeting of the Company to be held on Thursday, September 28, 2017 at 11.00 a.m. at Jubilee Hills International Centre, Near Jubilee Hills Check Post, Road No. 14, Hyderabad -500 033 Telangana. and at any adjournment ther of in respect of such resolutions as are indicated below:

Resolution No	Resolution(s)	For	Against
	Ordinary Business		
1	To receive, consider and adopt the Audited Financial Statement For the Year ended 31st March, 2017 and the Report of the Board of Directors and the Auditors thereon.		
2	To appoint a Director in place of Mr K Krshna Swamy who retires by rotation and being eligible, seeks re-appointment		
3	Appointment of Statutory Auditors of the Company and fix their Remuneration.		
	Special Business		
4	Ratification of Remuneration to Cost Auditors		

Signed this _____ day of _____ 2017.

Signature of member _____ Signature of proxy holder: _____

Affix
Re.1/-
Revenue
Stamp

Note:

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

LOKESH MACHINES LIMITED

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

THIRTY THIRD ANNUAL GENERAL MEETING

ATTENDANCE SLIP

Member's Reg. Folio No. _____

Client ID: _____

DP ID: _____

Name and Address _____

I hereby record my presence at the 33rd Annual General Meeting held at 11.00 A.M on Thursday on September 28, 2017 at Jubilee Hills International Centre, Near Jubilee Hills Check P41 ost, Road No. 14, Hyderabad -500 033

Signature of the shareholder / proxy

Notes:

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



PRINTED MATTER

If undelivered, please return to:

LOKESH MACHINES LIMITED

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

Hyderabad - 500 037, Telangana

CIN : L29219TG1983PLC004319