

LOKESH MACHINES LIMITED

42nd Annual General Meeting of Shareholders

Professionally Edited Transcript

22nd September 2026 | Video Conferencing / Other Audio-Visual Means

BSE: 532740 | NSE: LOKESHMACH

Meeting Participants

Role	Name
Chairman of the Board / Independent Director	M Yugandhar
Managing Director	Mullapudi Lokeswara Rao
Whole-time Director	B Kishore Babu
Whole-time Director	M Srinivas
Whole-time Director	M Srikrishna
Independent Director	D Balaji
Independent Director	Wg Cdr K V Sanil Babu
Non-executive Director	M Likhitha
Non-executive Director	K Krishna Swamy
Chief Financial Officer	V Sudhakara Reddy
Company Secretary & Compliance Officer	P Kodanda Rami Reddy
Statutory Auditors	Brahmayya & Co., Chartered Accountants
Secretarial Auditors / Scrutiniser	M/s LD Reddy & Co., Company Secretaries

1. Opening and Participation Instructions

P Kodanda Rami Reddy, Company Secretary & Compliance Officer [00:00]

Dear Shareholders, good morning. I welcome you to the 42nd Annual General Meeting of Lokesh Machines Limited, being held through video conferencing / other audio-visual means.

Before we proceed, I would like to outline a few points concerning participation in the meeting. Members attending the AGM have been placed on mute by default to avoid background disturbance and to ensure the smooth conduct of proceedings. During the question-and-answer session, registered speaker shareholders will be called one by one and will be unmuted by the host. Shareholders may use video where connectivity permits; if video is unavailable, they may participate through audio.

If a speaker experiences a connectivity issue, the next registered speaker may be invited while the connection is restored. Speaker shareholders are requested to keep their remarks brief, preferably within three minutes. For any technical assistance, members may use the helpline details provided in the AGM Notice.

In accordance with the Companies Act, 2013 and the applicable SEBI Listing Regulations, the Company has provided remote e-voting through NSDL. Members attending the AGM who have not already voted through remote e-voting may cast their votes electronically during the meeting. As the AGM is being held electronically, the facility for appointment of proxies is not applicable.

M/s LD Reddy & Co., Company Secretaries, has been appointed as Scrutiniser for the remote e-voting and e-voting conducted during the AGM. Since the resolutions contained in the Notice have already been put to members through the electronic voting process, there will be no proposing or seconding of resolutions during the meeting.

In accordance with the applicable Secretarial Standards, Mr. M Yugandhar, Chairman of the Board, will chair the meeting. I now hand over the proceedings to the Chairman.

2. Chairman's Opening, Quorum and Introductions

M Yugandhar, Chairman [03:15]

Good morning, dear Shareholders. I welcome all of you to the 42nd Annual General Meeting of the Company. Before proceeding, I request the Company Secretary to confirm whether the requisite quorum is present.

Company Secretary

Sir, 54 shareholders are presently attending the meeting. The requisite quorum is available and the proceedings may commence.

Chairman

Thank you. The Company Secretary has confirmed that the requisite quorum is present through video conferencing. Accordingly, the meeting is duly constituted and I call the meeting to order.

I now invite the directors attending the meeting to introduce themselves and confirm their participation.

Board Members [04:20]

The directors introduced themselves, including Mr. Mullapudi Lokeswara Rao, Managing Director; Mr. M Srinivas, Mr. M Srikrishna and Mr. B Kishore Babu, Whole-time Directors; Mr. D Balaji and Wg Cdr K V Sanil Babu, Independent Directors; and Ms. M Likhitha and Mr. K Krishna Swamy, Non-executive Directors. The Chief Financial Officer, Company Secretary, Statutory Auditors, Secretarial Auditors and Scrutiniser were also confirmed as present.

The statutory registers and other documents required to be kept open for inspection in connection with the AGM were stated to be available for inspection. Members who had not already voted through remote e-voting were reminded that they could vote during the meeting. As the AGM Notice had already been circulated to members, it was taken as read.

3. Chairman's Address

M Yugandhar, Chairman [08:15]

Dear Shareholders, it gives me great pleasure to welcome you to the 42nd Annual General Meeting of Lokesh Machines Limited. I hope you and your families are keeping well.

The year under review was among the most challenging in the Company's history, but I am pleased to say that it ended better than it began. FY2025-26 was conducted entirely under the OFAC designation imposed on 30 October 2024. The designation restricted our US-dollar and euro banking channels, constrained export markets and led to the suspension of supplies to the principal customer of the Auto Component business.

Against this backdrop, revenue from operations for FY2025-26 was ₹208.56 crore compared with ₹228.32 crore in FY2024-25, a decline of 8.7%. The decline was concentrated in the Components business, while the Machinery division grew strongly. Machinery revenue increased 29.6% to ₹194.91 crore from ₹150.38 crore.

Despite the lower revenue base, profitability improved materially. EBITDA increased to ₹38.25 crore from ₹28.50 crore, and the EBITDA margin improved to 18.34% from 12.48%, supported by a better product mix and disciplined cost control. Profit after tax rose to ₹3.86 crore from ₹0.54 crore, and earnings per share increased to ₹1.95 from ₹0.29.

Our employees, customers, dealers, suppliers, bankers and other stakeholders stood by the Company through a very difficult period. The credit for maintaining the operating base belongs to all of them.

From the date of designation, the Company engaged specialist legal advisers in India and the United States, filed a petition for reconsideration, responded to detailed OFAC queries, produced extensive documentation and put in place a comprehensive sanctions-compliance programme. These efforts culminated in OFAC removing the Company from the Specially Designated Nationals and Blocked Persons List on 30 June 2026. The Ministry of External Affairs subsequently confirmed the removal.

The delisting reopens international banking and export channels and removes a significant impediment for customers, suppliers and counterparties dealing with the Company. The practical normalisation of banking relationships may take time, but the legal restriction has been removed.

The early signs of recovery are encouraging. The Defence and Forgings businesses recorded ₹15.55 crore of revenue in Q1 FY2026-27, already exceeding the comparable scale achieved through much of the constrained period. The Company entered the balance of FY2026-27 with an order book of approximately ₹271 crore and a clearer path for growth.

I thank our customers, employees, dealers, suppliers, bankers, advisers, government authorities and, above all, our shareholders for their support and confidence. I now request the management team to present the Company's performance and strategy in greater detail.

4. Management Presentation

M Srinivas, Whole-time Director / Management Representative [13:00]

Good morning. On behalf of the Board, I welcome you to the 42nd AGM. I will briefly take you through the year under review and the Company's outlook.

4.1 Resilience, Rebuilding and Readiness

FY2025-26 can be described through three themes: resilience, rebuilding and readiness. The Company operated for the entire year under OFAC-related constraints, yet used the period to control costs, strengthen the balance sheet, diversify customers, advance new machine-tool programmes and progress its defence portfolio. With the delisting completed, previously constrained channels have begun reopening.

Revenue from operations was ₹208.56 crore. The Machinery division grew 29.6% to ₹194.91 crore, while the Defence and Forgings / Components division recorded ₹14.70 crore. Total expenses reduced by 10.7%, faster than the decline in revenue. EBITDA rose to ₹38.25 crore and PAT improved to ₹3.86 crore.

The Company also commissioned new hot-forging lines at Pune, productionised five new machine-tool products, delivered indigenous small arms to the Indian Army, and strengthened the balance sheet through promoter and preferential capital. Across FY2025-26 and Q1 FY2026-27, approximately ₹35 crore of promoter capital was infused.

4.2 Order Book and Business Mix

As of 12 August 2026, the order book stood at ₹271 crore, comprising approximately ₹103 crore in General Purpose Machines, ₹98 crore in Defence, ₹37 crore in Special Purpose Machines, ₹30 crore in Forgings and ₹3 crore in job work. Defence represented approximately 36% of the total order book.

The ₹58.21 crore Ministry of Defence order received in July 2026 was a significant contributor to the Defence book. The General Purpose Machine and SPM businesses have relatively shorter execution cycles, while part of the Defence order book is expected to carry into the following financial year.

4.3 Market Opportunity and Strategy

The domestic opportunity is supported by India's capital-goods investment cycle, PLI programmes, Atmanirbhar Bharat, automotive and EV investment, defence indigenisation and increasing adoption of automation and Industry 4.0. With the international channel reopened, the Company also intends to re-enter European and US markets in a measured manner and pursue opportunities with global Tier-1 customers.

Innovation priorities include five-axis and turn-mill machining centres, laser-based hybrid additive manufacturing, gantry and robotic automation, and small-arms platforms ranging from 9 mm to 30 mm. The Company also highlighted DGQA registration and a DPIIT recommendation for heavier-calibre manufacturing as relevant credentials for future defence participation.

The Board's strategic priorities are to convert the FY2025-26 inventory build into dispatches, tighten receivables, reduce borrowings, diversify the customer base, deepen relationships with the Ministry of Defence and Defence PSUs, commercialise advanced machine-tool products, improve shop-floor productivity, continue sustainability initiatives, and maintain robust export-compliance controls.

4.4 Manufacturing, R&D and Product Development

Lokesh Machines operates six manufacturing units across Hyderabad and Pune. The Hyderabad facilities cover CNC machines, Special Purpose Machines, defence manufacturing, in-house design and R&D. The Ranjangaon-Pune facility manufactures precision auto components and includes newly commissioned hot-forging lines for axle and EV drivetrain components.

Of thirteen machine-tool development programmes taken up during FY2025-26, five were productionised, including five-axis and turn-mill centres. Other products in the pipeline include larger horizontal machining centres, vertical turning lathes and double-column milling machines. The Company is also working with institutional partners including IIT Madras and RRCAT on advanced machining and hybrid additive manufacturing technologies.

Five defence products were stated to have been productionised, including an indigenous carbine, an MMG upgrade kit and LMG/GPMG/MMG platforms. The Company also referred to AS 9100 and ISO quality systems, DGQA registration and relevant defence-manufacturing approvals.

4.5 Customer and Portfolio Diversification

The Company emphasised that customer diversification is a central risk-management priority. The Machinery business serves automotive OEMs, Tier-1 manufacturers, general engineering and other sectors. The Defence business serves the Indian Army and various central armed police and security forces. In the Components and Forgings business, the strategy is to add customers and avoid dependence on any single relationship.

The management concluded that the Company had demonstrated resilience through a full year of constraints, restored margins, rebuilt its order book and reopened international channels. The priorities for the next phase are disciplined working-capital management, debt reduction, customer diversification and a higher share of higher-realisation products.

5. Consolidated Responses to Pre-submitted Shareholder Questions

Management [31:00]

The Company stated that it had received more than thirty shareholder questions in advance. As many were overlapping, management consolidated the questions by topic and responded to them together.

5.1 Order Book and Execution

Management reiterated the segment-wise order-book composition and stated that, except for a portion of the Defence book, most General Purpose Machine and Special Purpose Machine orders were expected to be executed within the financial year. Forgings are recurring in nature and are expected to continue month by month. The Company declined to disclose the names of certain SPM customers because those contracts involve customer-specific production programmes and confidentiality obligations.

5.2 Banking Channels, Exports and OFAC Normalisation

Management confirmed that international banking channels had begun reopening after the OFAC delisting. However, individual banks and overseas counterparties were completing their own re-onboarding procedures at different speeds. Export re-entry would therefore be gradual and measured. The Company noted that exports had been modest even before the designation, but the addressable opportunity in Europe and the United States had reopened.

The Company stated that the benefits of delisting were already visible in the recovery of the Components and Forgings business, while working-capital and financing conditions were expected to ease progressively as banking relationships normalised.

5.3 Advanced Machines, Additive Manufacturing and Automation

The Company explained that laser-based hybrid additive manufacturing and advanced five-axis machines are relatively new technologies in the domestic market and adoption will take time. Initial machines have been supplied to institutional / customer locations, and management expects commercial traction to build gradually. Automation is generally integrated with the Company's machines through gantry systems, pallet changers, robotic solutions and other customised arrangements rather than being sold solely as a standalone product.

5.4 Components and Forgings Profitability

Management stated that the Components and Forgings business is not a spot business but is based on continuing customer programmes. Profitability has improved because forgings that were earlier sourced externally can now be manufactured in-house, the customer base has been diversified, productivity has improved and the product mix is shifting toward higher-value drivetrain, axle and EV-related components. Management cautioned that a single quarter should not be treated as a long-term margin trend because the business remains exposed to raw-material prices.

5.5 Defence Business

The Defence order book of approximately ₹98 crore was described as a combination of multiple orders, including the ₹58.21 crore Ministry of Defence order for MMG upgrade kits and other small-arms orders. Some orders are expected to be executed in the current year and the balance in the following year.

The Company is participating in additional tenders for the Armed Forces and Central Armed Police Forces. Management stated that service and spares may be supplied separately from the original contract scope. Performance guarantees, warranty obligations and liquidated damages follow standard government procurement frameworks.

Management also stated that defence and SPM products generally have structurally better unit economics than conventional auto components. DAP 2020 remained the operative procurement framework at the time of the meeting, while the proposed 2026 framework was still in draft. In response to a question concerning the AK-203 programme, management noted that it arose from an India-Russia inter-governmental arrangement with an established supply chain, although the Company would continue to explore future opportunities where eligible.

5.6 Aerospace and Capital Allocation

The Company stated that the Defence and Aerospace facility had been established before the sanctions period. Further expansion investment was moderated during the designation period, with capital instead directed toward working capital and debt servicing. The aerospace opportunity remains strategically relevant, and the Company intends to scale gradually while building the required certifications, customer relationships and specialist manpower.

5.7 Dividend and Balance-Sheet Priorities

Management explained that no dividend had been recommended for FY2025-26. Given the Company's profit level and borrowings, the Board considered debt reduction, working-capital support and cash preservation to be more beneficial at this stage. The dividend position would be revisited as cash generation normalises.

6. Speaker Shareholder Session

Company Secretary [45:00]

The Company Secretary invited registered speaker shareholders to address the meeting. Several registered speakers were called but were not present. The substantive interventions are edited below.

6.1 Components Margins and Recurring Defence Orders

Speaker Shareholder

The shareholder noted that many questions had already been covered in the presentation and asked two principal questions: first, what factors, apart from customer diversification, were driving improved profitability in the Components business; and second, whether small-arms orders should be viewed as recurring annual business or as intermittent tender-based orders, and who the principal competitors are.

Management

Management responded that the principal margin drivers in Components include in-house forging, improved productivity and a shift toward higher-value components. Customer names could not be disclosed in certain cases because of confidentiality obligations.

In Defence, small-arms orders are tender-driven rather than automatic recurring annual orders. However, demand exists across multiple user agencies, including the Armed Forces and Central Armed Police Forces such as the CRPF, BSF, Assam Rifles and CISF. This provides a broader

opportunity set even though individual contracts are awarded through separate procurement processes.

6.2 Export Opportunity, Order Execution, Capacity and Margins

Speaker Shareholder, Hyderabad

The shareholder congratulated the management on the resolution of the OFAC-related restrictions and the growth of the Defence business. The shareholder asked about the strategy and timeline for resuming exports, the expected execution period for the Defence and overall order book, available manufacturing capacity, possible capacity expansion and capital expenditure, and the outlook for margins.

Management

Management referred to the earlier presentation and consolidated responses. It reiterated that most of the ₹271 crore order book, other than a portion of the Defence orders, was expected to convert within the year. The Company also highlighted the improvement in margins and said that the product mix, including Defence and Forgings, should support profitability if execution proceeds as planned.

6.3 Detailed Questions on OFAC, Defence, Technology, FTAs and Capacity

Speaker Shareholder

A shareholder submitted an extensive set of questions covering OFAC remediation, the reopening of international receivables and banking channels, customer relationships in Russia and other international markets, the use of funds released through normalisation, Western aerospace and automotive OEM opportunities, European vendor normalisation, Defence market size, product pricing, small-arms competition, export certifications, free-trade agreements, EV and auto-component demand, additive manufacturing, semiconductor-related precision machining, hot-forging capacity, machine-tool capacity expansion, potential long-term revenue mix, software and digital-twin capabilities, robotics talent, the IIT Madras relationship and AS 9100-based aerospace opportunities.

Management

Management stated that many of these issues had already been addressed in the Chairman's speech, the investor presentation and earlier responses. Because the questions were extensive and some involved forward-looking or confidential matters, management undertook to prepare a written response covering matters that could appropriately be disclosed in the public domain without creating inappropriate forward-looking guidance.

6.4 Capex, New Defence Products and Rifle Orders

Speaker Shareholder, Hyderabad

The shareholder congratulated the Company, supported the resolutions and asked about the capital-expenditure plan, progress on recently announced rifle / defence orders, and other new products being developed for government and defence customers.

Management

Management reiterated that the Company is working on weapon platforms in the approximately 9 mm to 30 mm range. It also noted that five of thirteen machine-tool development programmes had already been productionised, including advanced multi-axis, five-axis and other larger machines. Further information would be disclosed as programmes mature and where confidentiality permits.

6.5 Heavy-Calibre Manufacturing and Indigenous Defence Development

Bharat Gupta, Shareholder

The shareholder referred to the Company's licence / recommendation for heavier-calibre manufacturing, its presence at defence exhibitions, and its work in defence, aerospace and heavy machinery. He asked management to comment on the future potential of these areas.

Management

Management stated that the Company is developing weapon platforms in stages and cannot disclose the full product-development roadmap because of confidentiality. It referred to approvals / recommendations for heavier calibres and emphasised that the Company is pursuing a largely indigenous development approach. Defence products have long development and qualification cycles, so the Company intends to progress step by step rather than overextend.

6.6 Costs, Investor Communication, Plant Visit, Dividend and Hybrid AGM

Speaker Shareholder

The shareholder congratulated management and raised questions concerning other expenses, legal and professional fees, audit fees, investor conference calls and presentations, engagement with global investors, a long-pending request for a plant visit, return ratios, dividend expectations, the possibility of holding future AGMs in hybrid mode, and online inspection of statutory documents.

Management

Management responded that margins had improved significantly despite a lower top line, demonstrating the effect of cost and product-mix measures. On dividends, management reiterated that cash generation and balance-sheet strength needed to improve further before shareholder distributions could be reconsidered.

Management also stated that shareholders were welcome to coordinate a plant visit through the Company Secretary at a mutually convenient time. Access to Defence facilities would necessarily remain restricted because of confidentiality and security requirements. The broader suggestion regarding shareholder engagement and meeting formats was noted.

7. Closing of the Meeting

Company Secretary / Chairman [74:00]

The Company Secretary confirmed that the question-and-answer session had concluded and handed the proceedings back to the Chairman.

M Yugandhar, Chairman

Thank you to all shareholders for actively participating in the question-and-answer session. Management has addressed the questions raised during the meeting. If any question remains unanswered, shareholders may write to the Company Secretary and the Company will respond with the relevant information.

All items of business set out in the Notice of the 42nd Annual General Meeting have now been taken up. I therefore declare the proceedings of the AGM concluded. The e-voting facility will remain available for fifteen minutes after the conclusion of the meeting. The voting results will be announced within the prescribed statutory timeline and will be intimated to the stock exchanges and uploaded on the Company's website.

On behalf of the Board of Directors and the management of Lokesh Machines Limited, I convey our sincere thanks to all members for attending and participating in the meeting. I wish you all good health and a pleasant day. Thank you.

Meeting Host

Thank you, everyone. The live stream has been stopped and the meeting is hereby closed.