



***58<sup>th</sup>***  
**Annual Report**  
**2010-11**

**HMT LIMITED**

**HMT LIMITED**

No. 59, Bellary Road, Bangalore - 560 032

**NOTICE**

**NOTICE** is hereby given that the Fifty Eighth Annual General Meeting of HMT Limited will be held on **Friday, September 30, 2011, at 10.30 a.m.** at the Registered Office of the Company at No.59, Bellary Road, Bangalore - 560 032, to transact the following business:

**ORDINARY BUSINESS :**

1. To receive, consider and adopt the audited Balance Sheet as at and Profit and Loss Account for the year ended March 31, 2011 and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Saurabh Chandra who retires by rotation and being eligible offers himself for reappointment.
3. To fix the remuneration of Statutory/Branch Auditors to be appointed by the Comptroller and Auditor General of India for the year 2011-2012.

By order of the Board of Directors

(U.Jagadish Nayak)  
General Manager &  
Company Secretary

Place : Bangalore  
Date : September 5, 2011

**Registered Office :**

HMT Bhavan  
No. 59, Bellary Road,  
Bangalore - 560 032

1. The Members of the Company
2. Statutory Auditors

**Notes :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. The Share Transfer Books and Register of Members of the Company shall remain closed from 23.9.2011 to 30.9.2011 (both days inclusive).
3. Members/proxies should bring the attendance slip duly filled in for attending the meeting.
4. Members are requested to provide their email ID's to the Registrar & Transfer Agent as per attached form.

## **IMPORTANT COMMUNICATION TO MEMBERS**

*The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to fill the appropriate information in the following form and register the same with Karvy Computershare Private Limited, {Unit - HMT Limited} No. 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad- 500 034.*

## **HMT LIMITED**

No. 59, Bellary Road, Bangalore - 560 032

### **FORM FOR REGISTERING E-MAIL ID FOR RECEIVING DOCUMENTS/NOTICES BY ELECTRONIC MODE**

In terms of Circular No. 17/2011 dated April 21, 2011 issued by Ministry of Corporate Affairs, Government of India

Name of the Shareholder (In Block letters) including Joint holders, if any	
Registered Folio Number/DP 1D/CL ID Nos.	
Email- ID	
Signature of the Shareholder	


**HMT LIMITED**

No. 59, Bellary Road, Bangalore - 560 032

**ATTENDANCE SLIP**

I, hereby record my presence at the Fifty Eighth Annual General Meeting at the Registered Office of the Company at 10:30 a.m. on Friday, September 30, 2011

Name of the Attending Member .....  
(in Block Letters)

DP. Id\*

Members' Folio Number

Client Id\*

No. of Shares

Name of Proxy .....  
(in Block Letters, to be filled in if the Proxy attends instead of the Member).

\* Member's/Proxy's Signature

\* To be signed at the time of handing over this slip.

(Tear here)

**HMT LIMITED**

No. 59, Bellary Road, Bangalore - 560 032

**PROXY FORM**

DP. Id\*

Members' Folio Number

Client Id\*

No. of Shares

I / We .....  
of .....  
being a Member/Members of HMT Limited hereby appoint .....  
..... of .....  
or failing him .....  
of .....  
or failing him .....  
as my/our Proxy in my/our absence to attend and vote for me/us, and on my/our behalf, at the Fifty Eighth Annual General Meeting of the Company, to be held at 10:30 a.m. on the 30th day of September 2011, and at any adjournment thereof.

Signed by the said

Affix  
One Rupee  
Revenue  
Stamp

**Note :** The Proxy Form must be deposited at the Registered Office of the Company at No. 59, Bellary Road, Bangalore 560 032, not less than 48 hours before the time for holding the meeting.

## HMT LIMITED

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**BOARD OF DIRECTORS****Shri S.G. Sridhar***Director (Operations)**Chairman & Managing Director I/C**(w.e.f 01.04.2011)***Shri A. V. Kamat***Chairman & Managing Director**(upto March 31, 2011)***Shri Saurabh Chandra***Director***Shri Harbhajan Singh***Director***EXECUTIVE DIRECTOR****Shri Prakash Sharan***Executive Director, Tractors***CHIEF VIGILANCE OFFICER****Smt M. Indu Madhavi***Chief Vigilance Officer***COMPANY SECRETARY****Shri U. Jagadish Nayak***General Manager & Company Secretary /  
Compliance Officer***STATUTORY AUDITORS****M/s. Dagliya & Co.****Chartered Accountants****Bangalore****BANKERS****UCO Bank****Punjab National Bank****Andhra Bank****REGISTERED OFFICE****"HMT BHAVAN"****59, Bellary Road****Bangalore - 560 032**

# PERFORMANCE HIGHLIGHTS

(₹ in Lakhs)

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
<b>OPERATING STATISTICS</b>										
Sales	20086	19164	16098	17108	22729	24833	20386	15801	18330	28712
Other Income *	1507	1078	1425	1267	11458	5621	9030	6549	3765	3297
Materials	13735	12083	10596	14064	15125	17461	14710	9952	10734	16018
Employee Costs	8371	6762	6367	6472	6106	5813	5930	5231	5188	5296
Other Costs	3209	3252	4811	4080	8351	5868	6236	6863	7351	7077
Depreciation	387	392	340	299	321	393	416	419	447	439
Earnings before Interest	(4053)	(3323)	(5664)	(4466)	3639	900	2024	(208)	(2304)	738
Interest	3871	1968	1234	131	(409)	(455)	174	511	1097	(44)
Earnings/(Loss) before Tax	(7924)	(5291)	(6898)	(4597)	4048	1355	1850	(719)	(3401)	782
Taxation (net off withdrawal/refunds)	-	-	181	(130)	(1382)	28	1252	77	40	(242)
Net Earnings	(7924)	(5291)	(7079)	(4467)	5430	1327	598	(796)	(3441)	1024
<b>FINANCIAL POSITION</b>										
Net Fixed Assets	3868	4028	4094	3751	3342	3437	3317	3683	4096	4276
Current Assets	65557	72668	71078	73167	112729	111417	115431	95292	95890	96539
Current Liabilities & Provisions	24309	21437	19445	19653	20914	20366	19859	20246	23810	23116
Working Capital	41248	51231	51633	53514	91815	91051	95572	75046	72080	73423
Capital Employed	45116	55259	55727	57265	95157	94488	98889	78729	76176	77699
Investments	76556	76556	76571	76571	76571	7801	4639	4589	4550	4550
Miscellaneous Expenditure	-	-	29	197	380	3845	4594	4822	4949	4375
Borrowings	59871	62091	57312	52098	85553	92742	99637	82055	79121	76704
Net Worth	61800	69724	74986	81897	86181	8146	2492	1116	1535	5550
<b>OTHER STATISTICS</b>										
Capital Expenditure	227	327	681	707	230	556	54	58	278	374
Internal Resources Generated	(7537)	(4899)	(6739)	(4168)	5751	1720	1014	(377)	(2994)	1463
Working Capital Turnover Ratio	0.49	0.37	0.31	0.32	0.25	0.27	0.21	0.21	0.24	0.36
Current Ratio	2.70	3.39	3.66	3.72	5.39	5.47	5.81	4.71	4.03	4.18
Return on Capital(%)	(8.08)	(5.99)	(10.02)	(5.86)	3.84	0.93	2.28	(0.27)	(2.99)	1.10
Employees (Nos)	1904	2088	2205	2296	2383	2429	2489	2568	2649	2809
Per Capita Sales	10.55	9.18	7.30	7.45	9.54	10.22	8.19	6.15	6.92	10.22

\* Includes Extra Ordinary Items

**SOURCES AND UTILISATION OF FUNDS**

(₹ in Lakhs)

	2010-11	2009-10	2008-09	2007-08	2006-07
<b>SOURCES</b>					
<b>Internal Generation:</b>					
Net Profit/(Loss) (after interest prior to tax)	(7924)	(5291)	(6898)	(4597)	4048
Tax(net of provisions withdrawn/refunds)	-	-	181	(130)	(1382)
	<u>(7924)</u>	<u>(5291)</u>	<u>(7079)</u>	<u>(4467)</u>	<u>5430</u>
Add: Depreciation	387	392	340	299	321
Provisions withdrawn/adjusted	(40)	(41)	(33)	(1)	(192)
	<u>(7577)</u>	<u>(4940)</u>	<u>(6772)</u>	<u>(4169)</u>	<u>5559</u>
<b>External Generation:</b>					
Equity	-	-	-	24470	3273
Share Application Money	-	-	-	(24470)	65867
Loans from Govt. of India	14528	11571	2100	944	1091
Term Loans	-	-	-	2000	-
Inter Corporate Loan	-	-	-	-	430
Interest accrued and due	4189	1895	1450	-	1040
	<u>18717</u>	<u>13466</u>	<u>3550</u>	<u>2944</u>	<u>71701</u>
<b>TOTAL SOURCES</b>	<u>11140</u>	<u>8526</u>	<u>(3222)</u>	<u>(1225)</u>	<u>77260</u>
<b>UTILISATION</b>					
<b>Repayment of Loans</b>					
Term Loans	9398	-	-	8102	9000
Bonds	12228	9171	-	25671	350
Interest accrued and due	-	-	-	587	-
	<u>21626</u>	<u>9171</u>	<u>-</u>	<u>34360</u>	<u>9350</u>
Capital Expenditure (net)	186	285	649	707	34
Investments	-	(15)	-	-	68770
Deferred Tax	-	-	(159)	154	1407
Miscellaneous Expenditure	-	(29)	(168)	(183)	(3465)
	<u>186</u>	<u>241</u>	<u>322</u>	<u>678</u>	<u>66746</u>
Add/(Less)					
Working Capital Movement	(9984)	(402)	(1881)	(38301)	764
<b>TOTAL UTILISATION</b>	<u>11828</u>	<u>9010</u>	<u>(1559)</u>	<u>(3263)</u>	<u>76860</u>
<b>Net Surplus/(Deficit)</b>	<u>(688)</u>	<u>(484)</u>	<u>(1663)</u>	<u>2038</u>	<u>400</u>
<b>Represented by</b>					
Increase/(Decrease) in Bank Finance	688	484	1663	(2038)	(400)



**FIGURES AT A GLANCE**

(₹ in Lakhs)

	2010-11	2009-10
<b>BALANCE SHEET</b>		
<b>What the Company owned</b>		
Fixed Assets	13908	13721
Less: Depreciation	10040	9693
Net Fixed Assets	3868	4028
Investments	76556	76556
Current Assets	65557	72668
Less: Current Liabilities	24309	21437
	41248	51231
Miscellaneous Expenditure	-	-
Profit and Loss Account	58534	50611
	180206	182426
Less:		
<b>What the Company owed</b>		
Bonds	8301	20084
Banks (Working Capital)	6071	5381
Term Loans	-	9398
Inter Corporate Loans	430	430
Loans from Govt. of India	45069	26798
	59871	62091
	120335	120335
<b>Share Holders' Equity Represented by:</b>		
Share Capital	76035	76035
Share Application Money		
Preference Share Capital	44300	44300
	120335	120335
<b>PROFIT AND LOSS ACCOUNT</b>		
<b>What the Company Earned</b>		
Sales (Gross)	20086	19164
Less: Excise Duty	156	144
Net Sales	19930	19020
Other Income	1506	1078
Stock Accretion/(Decretion)	(90)	(1223)
	21346	18875
Less:		
<b>What the Company spent</b>		
Materials	13735	12083
Employee Cost	8371	6762
Depreciation	387	392
Other Expenses	2906	2956
Interest	3871	1968
	29270	24161
Net Profit/(Loss) before PPA	(7924)	(5286)
Less: Prior Period Adjustments(PPA)	-	5
<b>Net Profit/(Loss) before Tax</b>	(7924)	(5291)
Taxes	-	-
<b>Net Profit/(Loss) after Tax</b>	(7924)	(5291)

## DIRECTORS' REPORT

To

The Members  
HMT Limited  
Bangalore

Dear Members

The Annual Accounts of the Company for the year 2010-11 along with the Auditors' Report and the Comments of the Comptroller & Auditor General of India are attached to this Report.

### CORPORATE PERFORMANCE

The Indian Economy recorded robust growth and steady fiscal consolidation in the year 2010-11. The growth rate of the Economy has been 8.6% in the financial year 2010-11 and is expected to be around 9% in the next fiscal i.e the current year. The growth in the agriculture sector is expected to be around 5.4% while growth in the manufacturing and services sectors has registered impressive gains of 7% and 9.5% respectively.

Taking cue from the strong growth indicators, the tractor industry also recorded an impressive growth of 24% during the year under review. As a result, your Company also showed a marginally better performance during the year, recording growth in terms of both Production and Sales, over that of the previous year. During the year, your Company achieved a Production level of ₹187.24 Crore (4812 Nos. of Tractors) as against ₹169.65 Crore (4652 Nos. of Tractors), recorded in the previous year, with a growth of 10%. In terms of Sales also the Company registered a growth of 4% at ₹200.86 Crore (4920 Nos. of Tractors) compared to ₹191.64 Crore (4901 Nos. of Tractors) achieved in the previous year.

At the consolidated level, your Company along with its Subsidiaries achieved an aggregate Production of ₹386.59 Crore and Sales of ₹449.03 Crore for the year 2010-11. On a comparative basis, the performance was marginally better than that of the previous year.

### OPERATING RESULTS

Despite the marginal growth in Sales registered during the year, the Operations of your Company resulted in a Net Loss of ₹79.24 Crore during 2010-11, when

compared with ₹52.91 Crore recorded in the previous Year, which was mainly due to the additional provisions required to be made owing to the recent enhancement in the ceiling amount of gratuity payable to retiring employees from ₹3.50 lakhs to ₹10 lakhs and the higher interest burdens on account of Loans availed from the Govt of India under various heads. The financial highlights for the year 2010-11, are as under:

### FINANCIAL HIGHLIGHTS

(₹ in crore)

Particulars	2010-11	2009-10
Gross Profit/(Loss) (PBIDT)	(36.66)	(29.26)
Depreciation	3.87	3.92
Interest	38.71	23.57
Profit/(Loss) before PPA	(79.24)	(52.86)
Less: Prior Period Adjustments (PPA)	-	0.05
Net Profit/(Loss) before tax	(79.24)	(52.91)
Tax Provision (Net)	-	-
Net Profit/(Loss) after tax	(79.24)	(52.91)
Net Profit/(Loss) carried to Balance Sheet	(79.24)	(52.91)

### DIVIDEND

Owing to the losses incurred during the year, the Directors are unable to recommend any dividend on the paid up equity share capital. Hence, no reserve has been created for Bonds redemption as required.

### FINANCIAL POSITION

Due to liquidity constraints, the production volume of Tractors has reduced resulting in a turnover of ₹200.06 crore during the year under review. Further, the high interest on account of loan availed from Government of India to discharge liabilities, affected the bottom line to a large extent.

### FUTURE OUTLOOK

Indian Tractor Industry's Annual growth rate is expected to be around 8-10%; marginally higher than that of the historical average of 6-8%. The growth drivers of Tractor

Industry such as boost in rural economy, increased focus on agriculture and rural development, credit availability, shorter replacement cycle, several policy initiatives by the Government, etc., are aiding the growth trends. Further, due to better irrigation facilities, farmers are resorting to multiple cropping through farm mechanisation for achieving higher productivity and output. All these factors are likely to contribute to a positive growth in its performance in the current Financial Year 2011-12.

In fact, the performance of your Company for the first quarter of the year under review has seen a positive upturn with a 10% growth in production compared to the achievement of the corresponding period of the previous year, with a similar growth of 2% in Sales for the Quarter compared to the same period of the previous year. The Tractor Business Group has already initiated a host of measures towards performance improvement in right earnest, by appointment of new Distributors and Dealers in potential areas/territories, upgradation of the tractors engines for compliance to new emission norms for all models of tractors, setting up of a new paint plant, entering into MoUs with Banks/Financing Agencies for priority loan sanction for the purchase of HMT Tractors, dynamic business strategies, etc., which are expected to yield results in the current financial year.

The future plans of the Company envisages investment in plant modernization and technology upgradation which will contribute to better productivity and give a thrust to the growth trends in the coming years. The Company has engaged the services of a leading consultancy firm to prepare a Business Plans comprising various strategic initiatives to sustain the operations and achieve growth.

## **SUBSIDIARY COMPANIES**

### **♦ HMT Machine Tools Limited**

This Subsidiary achieved Sales of ₹209.02 Crore and Production of ₹177.43 Crore with a Net loss of ₹93.06 Crore during the year 2010-11. The performance of this Subsidiary was affected mainly due to working capital constraints. The Subsidiary has set a Sales target of ₹372.96 Cr. for the current financial year 2011-12. The Subsidiary has implemented the revival plan proposals and plant upgradation with substantial part of the investments as Capital Expenditure. The Subsidiary is also pursuing with various agencies for extending the

reliefs and concessions sanctioned by the BIFR under the Rehabilitation Scheme. Some of these Parties including the Consortium of Banks have preferred appeals against the reliefs and concessions sanctioned by the BIFR, which is being contested by the Subsidiary. The Merger of Praga Tools Ltd, Hyderabad, with the Subsidiary, which was part of the sanctioned Scheme of BIFR has since been completed.

### **♦ HMT Watches Limited**

This Subsidiary could not show significant improvement in performance. Major factor affecting the performance of this Subsidiary was lack of working capital, absence of a robust trade channel and higher interest burden, with depletion in skilled manpower. Despite these constraints, this Subsidiary could achieve a Sales ₹8.82 Crore and Production of ₹10.62 Crore during the year under review. The Net Loss for the year stood at ₹253.74 Crore as compared to ₹168.35 Crore incurred during the previous year. The Revival plans in respect of this Subsidiary is under submission to the Government based on the business plans being prepared by the Consultants appointed by the Company. The Subsidiary was able to reduce its manpower by introduction of VRS, funded by Government of India Loan. A total of 462 employees have been retired by the Subsidiary during the year 2010-11 involving an outgo of ₹63.98 Crore, reducing its manpower strength to 1417 as on 31.3.2011.

### **♦ HMT Chinar Watches Limited**

The performance of this Subsidiary could not be sustained at optimum levels due to the ongoing troubled situation in the J&K Valley apart from shortage of working capital to enhance production levels. Majority of the employees have been separated on VRS leaving about 114 employees at Srinagar and Jammu Units of the Subsidiary. Under these circumstances, the Subsidiary could achieve only a meagre Sales of ₹0.10 Crore during the year compared to ₹0.73 Crore achieved during the previous year, while in terms of Production, it was at the level of only ₹0.12 Crore for the year. As a result of the lower levels of operations, the Subsidiary incurred a Net loss of ₹45.40 Crore during the year. The Subsidiary was able to reduce its manpower by introduction of VRS, funded by Government of India.

#### ♦ HMT (International) Limited

This Subsidiary exported goods and technical services valued at ₹27.89 Crore during the year under review as compared to ₹30.80 Crore achieved in the previous year, and pre-tax Profit of ₹0.31 Crore for the year. The performance of this Subsidiary in terms of orders, sales and profits during the year under review was marginally less amidst global financial crisis affecting delay/shelving of procurement plans by major customers. The Subsidiary has maintained its consistent dividend payment record and has declared a dividend of 20% on the Paid up equity Share Capital, for the year 2010-11. During the year, this Subsidiary was able to successfully obtain the re-certification of ISO9001-2008 from the certifying agencies.

#### ♦ HMT Bearings Limited

This Subsidiary achieved a higher Sales turnover of ₹11.44 Crore during the year under review as compared to ₹6.84 Crore achieved during the previous year. The achievement in terms of Production during the year was also higher at ₹11.18 Crore as compared to ₹5.62 Crore recorded in the previous year. The Subsidiary incurred a Net Loss of ₹21.32 Crore during the year compared to ₹15.31 Crore recorded in the previous year, which was mainly due to higher incidence of VRS ex gratia. The Subsidiary was able to reduce its manpower by introduction of VRS, funded by Government of India Loan. A total of 103 employees have been retired by the Subsidiary during the year 2010-11 involving an outgo of ₹10.67 Crore, reducing its manpower strength to 89 as on 31.3.2011.

The Subsidiary has been referred to the BIFR under the Sick Industrial Companies (Special Provisions) Act, 1985 as amended and a Rehabilitation Scheme prepared by the Operating Agency viz., Canara Bank is under consideration of the BIFR including the proposal for inducting a strategic partner by divesting the equity.

#### JOINT VENTURE COMPANY

#### ♦ SUDMO-HMT Process Engineers (India) Limited

There were no business operations by this Joint Venture Company during the year under review. For the financial year 2010-11, this Company showed a Net Profit after tax of ₹0.68 Lakhs on account of the

interest income of ₹2.83 lakhs, out of the fixed deposits kept with the Banks.

#### ♦ Gujarat State Machine Tools Corporation Ltd

This Company which was ordered to be wound up by BIFR, had discontinued its operations since long and is now a defunct Company. It is therefore considered prudent to divest from this JV Company jointly with the JV Partner.

#### CONSOLIDATED FINANCIAL STATEMENTS

As required under the Listing Agreement, Consolidated Financial Statements of the Company along with that of the Subsidiaries for the financial year 2010-11, conforming to the applicable Accounting Standards, are attached to this Report along with the Auditors' Report on the same.

In terms of the General Circular No. 2/2011 dated 8th February, 2011, issued by the Central Government in terms of Section 212(8) of the Companies Act, 1956, the Directors have consented to not to attach copy of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and Auditors of the five (5) Subsidiary Companies viz., HMT Machine Tools Limited; HMT Watches Limited; HMT Chinara Watches Limited; HMT Bearings Limited and HMT (International) Limited to the Balance Sheet of the Company (Holding Company). However, these documents will be made available upon request by any member of the Company and Subsidiary Companies interested in obtaining the same. Further, in compliance with the conditions of the above referred Government circular, the financial information of each of these subsidiary Companies have been furnished as part of the Consolidated Balance Sheet of the Company. The annual accounts and other detailed information of each of the Subsidiary companies will be available for inspection by any member at the Registered Office of the Company. A statement pursuant to Section 212(1) of the Companies Act, 1956, in respect of each of the Subsidiary Companies is attached to this report.

#### HUMAN RESOURCES

Information in accordance with the provisions of Section 217. (2A) of the Companies Act, 1956 read with the

Companies (Particulars of Employees) Rules, 1975, as amended, is NIL for the year 2010-11.

The employee strength of the Company as on March 31, 2011, stood at 1904 Nos as compared to 2088 at the end of the previous year. There are 381 employees in the Officer Cadre and 1523 Non-Executives in Workmen cadre. The number of employees on the rolls of the Company as on March 31, 2011 in SC/ST, Ex-Servicemen, Physically Handicapped and Women Employee Categories etc is as follows:

Scheduled Castes	450
Scheduled Tribes	71
Other Backward Classes	129
Ex-Servicemen	7
Persons with Disabilities	16
Women Employees	56
Minorities	288

## **INDUSTRIAL RELATIONS**

The overall Industrial Relations situation in the Company during the year remained peaceful. The Company continues to put in sincere efforts to improve and upgrade the skill sets of the employees at different levels and also to recruit manpower in key areas to achieve better and improved productivity in various fields of activities.

## **IMPLEMENTATION OF OFFICIAL LANGUAGE**

The efforts towards implementation of Official Language Act, Rules & Policy as per the directives of the Government in the Company is continuous. The Official Language Implementation Committee have been constituted in all the Units of the Company and the Subsidiaries, including the Corporate Office, Bangalore to monitor implementation of Official Language Act, Rules, Policy, etc. which meets at regular intervals in every quarter.

In order to propagate the usage of Hindi as Official Language, "HINDI DIWAS/HINDI FORTNIGHT" was observed during the month of September, 2010. Various Hindi competitions such as Hindi Story writing, Hindi News Paper Reading, Hindi Quiz Writing, Hindi Conversation, Hindi Antyakshari, etc., were organized and participants were awarded prizes. A workshop was organised during the above period. The Hindi Magazines/Newspapers are being procured to propagate

the usage of Hindi among employees. The concerned Officials of the Company regularly takes part in the meetings of the Town Official Languages Implementation Committee. The Company also sponsors some of the Hindi competitions under Bangalore Town Official Language Implementation Committee.

## **VIGILANCE ACTIVITIES**

The Chief Vigilance Officer appointed by the Government of India heads the Corporate Vigilance Cell of the Company and is assisted at the Unit level by the Vigilance Officers.

The Corporate Vigilance Cell carries out vigilance functions in the Holding Company as well as in its Subsidiaries. The vigilance functions in the manufacturing Units and Marketing Officers are looked after by Vigilance Officers, under the guidance of Chief Vigilance Officer.

The Vigilance department carried out regular and surprise inspections of a large number of high value contracts/purchases, property returns, service contracts, etc. In case of violations of rules and procedures, serious irregularities, the matter was investigated and investigation reports prepared for further action. Wherever required, appropriate action against the concerned officers were recommended, instructions were issued to the effect that the violations of rules and procedures pointed out by the Vigilance Department should not be repeated. A lot of emphasis was laid on preventive vigilance by striving towards strict adherence to all rules and procedures and to all norms of transparency in tendering process. Several suggestions were made for systems improvement in various fields. As provided for in the relevant CVC guidelines, requisite emphasis was put on improving vigilance administration by leveraging technology.

Quarterly vigilance awareness workshops and Vigilance awareness week were organized to enhance the level of vigilance awareness among the employees and other stakeholders. A compilation of important CVO's Circulars were prepared and circulated to all Managing Directors, Unit Chiefs and concerned officers for quick reference.

## **COPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreement with the

Stock Exchanges, a Report on the Corporate Governance is annexed as part of this Report along with the Compliance Certificate from the Auditors. A Report on Management Discussion and Analysis is also appended to this Report separately. Further, a declaration by the Chairman & Managing Director for having obtained affirmation of compliance of the Code of Conduct by the Board Member (s) and Senior Management for the year ended March 31, 2011, is also appended.

The Audit Committee could not be reconstituted as per requirements of the Listing Agreement in the absence of Independent Directors to be appointed by the Government.

The Register of Members and Share Transfer Records both in respect of the shares held in physical and depository form are maintained by Karvy Computershare Private Limited, Hyderabad, and the Registrars & Share Transfer Agents of the Company.

#### **INFORMATION REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

Particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under the Companies (Disclosures of Particulars) Rules, 1988, are annexed to this Report.

#### **DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to Sub-Section (2AA) of Section 217 of the Companies Act, 1956, the Board of Directors hereby state and confirm that:

- ♦ In the preparation of the Annual Accounts, 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 a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit/loss of the Company for that period;

- ♦ The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- ♦ The Directors have prepared the annual accounts on a going concern basis.

#### **AUDITORS**

M/s. Dagliya & Co. Chartered Accountants, Bangalore, were appointed as Statutory Auditors of the Company for the year 2010-11 by the Comptroller & Auditor General of India. Three firms of Chartered Accountants were also appointed as Branch Auditors for the other Units/Divisions of the Company. M/s. Khurana & Co., Cost Accountants were appointed as Cost Auditors for the year 2010-11 in respect of 'Tractors'.

Replies to the observations by the Statutory Auditors in their Report are given by way of an addendum to this Report.

#### **DIRECTORS**

Shri A.V. Kamat, Chairman & Managing Director, vacated the position on 31.3.2011 consequent upon his superannuation from the services of the Company on that date. The Directors wish to place on record the services rendered and contributions made by Shri A.V. Kamat, during his tenure as Chairman and Managing Director of the Company.

Vide Presidential Order No. 5(32)/2009-PE.X(Pt) dated May 13, 2011 issued by the Department of Heavy Industry, Shri S.G. Sridhar, Director (Operations) had been assigned additional charge of the post of Chairman & Managing Director of the Company for a period of three months w.e.f. 01.04.2011.

Shri Saurabh Chandra, Director, retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

#### **ACKNOWLEDGEMENTS**

The Directors are thankful to the various Departments and Ministries in the Government of India, particularly

the Department of Heavy Industry, Ministry of Corporate Affairs, Comptroller and Auditor General of India, Principal Director-Commercial Audit, Statutory and Branch Auditors, various State Governments, Foreign Collaborators, the Subsidiary Companies, Suppliers, Reserve Bank of India, the Consortium of Banks lead by UCO Bank and the valued Customers of the Company both in India and abroad for their continued co-operation and patronage.

The Directors also sincerely appreciate the contributions

made by the employees at all levels in the operations of the Company during the year.

For and on behalf of the Board of Directors



**(S. G. Sridhar)**  
Chairman

Place: Bangalore

Date : 5-9-2011

## ADDENDUM TO DIRECTORS' REPORT FOR THE YEAR 2010-11 IN RESPECT OF OBSERVATIONS MADE BY STATUTORY AUDITORS ON THE ACCOUNTS OF HMT LIMITED FOR THE YEAR ENDED 31ST MARCH, 2011.

Ref.	Statutory Auditors' Observation	Company's Reply
VII. 6	The Company has made long term investments aggregating to ₹45.62 Crores in subsidiary companies, viz., HMT Watches Limited; HMT Chinara Watches Limited and HMT Bearings Limited whose net worth has eroded and these companies are suffering continuous losses. Market value of the assets of these companies, results and expected cash flows from these investments is not ascertained. In view of the above deficiencies, in our opinion, there is a total decline in the value of these investments, which is other than temporary. No provision for above diminution is made. This is in contravention of the requirement of AS-13 prescribed under Companies (Accounting Standards) Rules, 2006, resulting in the understatement of loss for the year & cumulative loss and overstatement of investments to that extent.	The Revival Plans of these Subsidiaries, viz., HMT Watches Limited & HMT Chinara Watches Limited and Draft Rehabilitation Scheme (DRS) in respect of HMT Bearings Ltd., have been submitted to GOI and are under various stages of consideration by the Govt. Besides, these Subsidiaries have assets whose market value is much higher than their book value and as such, it fully covers the cost of investments in the Subsidiaries. Hence, the carrying cost of the long term investments in these Companies does not call for making any provision for diminution in their value.
VII. 7	The company has also given loans and advances to the subsidiaries stated in clause VII 6 above and the aggregate dues from them as at 31 <sup>st</sup> March 2011 amount to ₹516.18 Crores. In view of our observations made in clause VII 6 above, these dues should have been considered as doubtful of recovery requiring provision for the same. Consequently loss for the year and cumulative loss is understated and loans and advances are overstated to that extent.	The dues from Subsidiaries are fully realizable. The total dues from the Subsidiaries stood at ₹516.18 Crores as on 31.03.2011. The Subsidiaries have substantial assets in the form of land, buildings and other assets, whose present market value is much higher than their Book Value and are adequate enough to cover the net amount due from these Subsidiaries, hence recoverable in full.  Besides, these Subsidiary Companies have submitted their Revival Plans to the Government of India, envisaging infusion of funds and conversion of loans into equity and waiver of interest etc. by Government of India to address the negative Net Worth of these Companies.
VII. 8	Five acres of lease hold land with book value of ₹0.03 Crores as at 31 <sup>st</sup> March, 2011 at Food Processing Machinery Unit, Aurangabad has been encroached for which eviction suits filed by the company before Joint Civil Judge, Aurangabad was dismissed vide Court's order dated 20 <sup>th</sup> October, 2006 and the company had not preferred any appeal before higher courts. The said land is continued to be shown in the books of the company. Consequently loss for the year and cumulative loss is understated and the fixed assets are overstated by ₹0.03 Crores.	The encroachment in respect of these lands leased by CIDCO, Aurangabad, to the Company, was noticed even before the Company could establish and take possession of the lands. Based on legal advise, the matter has been taken up with CIDCO for an alternative solutions to this long pending issue. A final view will be taken during the current year in the matter for making appropriate accounting in respect of the value of these lands carried in the books.



Ref.	Statutory Auditors' Observation	Company's Reply
VII.9	Identification of impaired assets, recognition and measurement of impairment loss as required by AS-28 has not been carried out. Consequential impact on the financial statements is indeterminate.	The Company has assessed that there is no impairment in respect of Fixed Assets.
VII.10	Certain balances under sundry creditors, other liabilities, sundry debtors, loans and advances are subject to confirmation and reconciliation. These balances include certain old balances requiring review and reconciliation. Consequential impact of the same on the loss for the year / accumulated loss and current liabilities is not ascertainable.	The confirmation & reconciliation of balances from Sundry Debtors, Other Liabilities, Loans & Advances and Sundry Creditors are obtained in all major cases. Disclosure has been made to this effect in the Notes to Accounts.
VII.11	During the years 2002-03 and 2003-04, the company had sold certain lands vested with HMT Machine Tools Limited, a subsidiary company for a consideration of ₹36.57 Crores and the profit on sale of such land amounting to ₹36.55 Crores were accounted by the company. The company had an understanding with the subsidiary to adjust the consideration by transferring land of equivalent value. However the company is yet to identify equivalent land for the said value for transfer to HMT Machine Tools Limited. This fact has not been disclosed in the financial statements.	Based on MoU entered into between HMT Limited (Holding Company) & HMT Machine Tools Ltd (Subsidiary Company), HMT Limited had sold certain lands during 2002-03 & 2003-04, vested with HMT Machine Tools Ltd, and the profit on sale of such land were accounted by the Company. As per the MoU, the Company has to identify & transfer equivalent land for the said value. The Company is yet to identify the lands for transfer to HMT Machine Tools Ltd.  This fact will be disclosed in the Financial Statements of the Company during the current financial year 2011-12.
VII.12	Fixed Assets include 839.40 acres of land at Pinjore gifted by the State Government to the company, in respect of which mutation of title in the name of the company is yet to be carried out in the revenue records. This fact has not been disclosed in the financial statements. Further, about 11.73 acres out of above land at Pinjore have been acquired by National Highway Authority of India (NHAI). Pending mutation of title, the offer of compensation of approx. ₹3.20 Crores by NHAI is yet to be obtained by the company, which fact also not been disclosed in the financial statements.	The Company is in possession of 839.40 acres of land at Pinjore, gifted by State Government. Out of the above land, about 11.73 acres have been acquired by National Highway Authority of India (NHAI), for widening the road, by offering a compensation of approximately ₹3.20 crores.  Since the mutation of title in the name of the Company in respect of these lands at Pinjore is yet to be carried out in the revenue records, a petition was filed with Civil Court at Panchkula for decree of land which was decided on 22-07-2008 in Company's favour. However, Tehsildar, Kalka has filed an appeal against the orders of Civil Court with District Judge, Panchkula, and the matter is pending in Court.  This fact will be disclosed in the Financial Statements of the Company during the current financial year 2011-12.

For and on behalf of the Board of Directors

  
**(S.G. Sridhar)**  
Chairman

Place: Bangalore  
Dated : 5-9-2011

## MANAGEMENT DISCUSSION & ANALYSIS

### A. Industry Structure and Development

#### General Economic Environment:

Global economy is in recovery path. Growth in both, advanced economies and emerging/developing economies outpaced initial expectations. This raises hopes for sustained, though moderately paced global recovery during the FY 2011-12.

With the improved domestic macroeconomic scenario, the Indian economy is reported to have grown at an estimated 8.6% in the previous year. GDP growth during 2010-11 reversed the negative trend, aided by a rebound in agricultural growth owing to the overall good monsoon reported during the year. The index of industrial production (IIP), which grew by 10.7 per cent during the first half of last year, moderated subsequently, bringing down the overall growth for 2010-11 to about 7.8 per cent. The non-agricultural growth, however, was slightly below par. Particularly significant was the slowdown in capital goods production and investment spending due to the inflationary trends reported in the second half of the previous year.

The services sector, backed by the IT revolution, remained the biggest contributor to the national GDP, with a contribution of 58.4%. The industrial sector contributed 24.1% while the agricultural sector contributed 17.5% to the GDP.

#### Growth Outlook

It is also crucial to understand that India is driven primarily by domestic (consumer) consumption. This stands in marked contrast to Japan, the Asian Tigers and now China, all of whom have followed the export-oriented model. With the massive growth of the Indian middle class, India may become Asia's first major 'buy' economy.

Indian Economic Growth in 2011-12 is expected to stay close to the trend. Downside risks to growth and upside risks to inflation have increased Growth risks on account of the climbing up of the oil prices to uneasy levels and some moderation in investment. GDP growth for 2011-12, is expected to be around 8 per cent as per current trends and projections.

The growth momentum is likely to sustain close to trend in the current FY 2011-12 as well, aided by predicted normal

monsoon, demand conditions and positive lead indicators for services. Risks to growth, however, arise from input cost pressures due to the rising inflation and fuel prices.

#### Industry Structure and Developments & Tractor Industry in India

Tractor industry (Inland) registered a growth of 24 % during 2010-11 over the year 2009-10. The market leader viz Mahindra & Mahindra (M&M) maintained their market leadership with 39.62% market share followed by TAFE (21%) and Escorts (12.13%). The growth trend was observed due to better economic condition and agricultural growth in India. Infrastructure projects have boosted the sale of higher HP Tractors. The top three companies are enjoying approx. 72.6 % market share of entire Tractor industry, with the result, the survival of the smaller players is continuously threatened. HMT's market share in this milieu was a marginal 0.90% of the total Industry off take.

A comparative study of the segment-wise growth of the Tractor Industry over the previous year is given below:

- *Below 20 HP tractors which has 1.03% share of total market grew by 25.4%*
- *20 HP to 30 HP tractors which has 12.36% share of total market showed negative growth of 2.27%*
- *31 HP to 40 HP tractors which has 36.78% share of total market grew by 4.36%*
- *41 HP to 50 HP tractors which has 30.51% share of total market grew by 29.09%*
- *Above 51 HP tractors which has 19.31% share of total market grew by 34.58% which is highest growth segment*

The Tractor Industry is expected to continue its growth story during 2011-12 as well, due to better economic conditions and thrust of govt. on Agriculture. Tractor sales are expected to witness a growth of about 10% - 15% during 2011-12. On the other hand, the demand for I.P. Engines will also show an upward trend due to shortage of power and the need for more installation of cellular communication Towers across the Country.

## B. Opportunities

### Opportunities:

- Good growth of Inland Tractor Industry i.e 10% to 15% in 2011-12.
- Demand of higher HP tractors due to infrastructure projects.
- Demand of PTO driven implements like Rotavator increasing.
- Growth in export especially to African & Asian countries.
- Demand for I.P engines for Gen. Set, mobile communication towers and power generation.

## C. Segments- wise or Products-wise Performance

### Segment wise Performance (Nos):

Segment	2010-11		
	Industry	HMT	% share
Up to 21 HP	4729	-	
21 to 30 HP	70194	568	0.81
31HP to 40HP	226545	3210	1.42
41HP to 50HP	154191	483	0.31
Above 50HP	89450	659	0.74
<b>Total</b>	<b>545109</b>	<b>4920</b>	<b>0.90</b>

Segment	2009-10		
	Industry	HMT	% share
Up to 21 HP	3761	-	-
21 to 30 HP	66024	735	1.11
31HP to 40HP	202045	3389	1.68
41HP to 50HP	105652	381	0.36
Above 50HP	62849	396	0.63
<b>Total</b>	<b>440331</b>	<b>4901</b>	<b>1.11</b>

Your Company maintained the growth momentum and showed a marginally better performance during the year under review, with growth in terms of both Production and Sales, over the previous year. During the year, your Company achieved a Production level of ₹.187.24 Cr (4810 Nos. of Tractors) as against the Production level of ₹169.65 Cr (4652 Nos. of Tractors), recorded in the previous year, with a growth of 10%. In terms of Sales also the Company

registered a growth of 5% at ₹199.30 Cr (4920 Nos. of Tractors) compared to the Sales of ₹190.20 Cr (4901 Nos. of Tractors) achieved in the previous year.

## D. Outlook:

The Tractor Industry will continue to grow in the current Fiscal 2011-12 due to better economic conditions and thrust of govt. on Agriculture. As a result the Tractor sales are expected to witness growth of 10% - 15% during the year. Demand for I.P. Engines is also expected to go up due to shortage of power and installation of cellular towers.

## F) FINANCIAL PERFORMANCE

The performance of the Company during the year 2010-11 showed a positive growth compared to that of the previous year. The turnover for the year stood at ₹200.86 Cr. as compared to ₹191.64 Cr. of the previous year thereby registering a growth of 4%. During the year, the Company incurred a loss of ₹79.24 Cr. as against a Net Loss of ₹52.91 Cr. incurred during the previous year.

The total borrowing position of the Company as on 31.3.2011 stood at ₹598.71 Cr., which include ₹350.39 Cr. of Government of India Loans and ₹100.30 Cr. Interest due thereon.

## G) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has in place adequate systems of Internal Control commensurate with its size and nature of its operations. The salient features of internal control systems are:

- Clear delegation of power with authority limits for incurring capital and revenue expenditure.
- Well laid down corporate policies for accounting, reporting and Corporate Governance.
- Safeguarding assets against unauthorized use or losses or disposition, and ensuring that the transactions are authorised, recorded and reported correctly.
- Process for formulating and reviewing annual and long-term business plans have been laid down.
- Detailed Annual budget giving further break up of monthly targets under various heads.
- Continuous review of the performance by the Core Committee with reference to the budgets on an ongoing basis.

- Compliance with laws and regulations.

The Internal Audit Department of the Company along with external firms appointed for carrying out internal audits of Units/Divisions reviews, evaluates and appraises the various systems, procedures/policies laid down by the Company and suggests meaningful and useful improvements.

Internal Audit Department coordinates with the Units/Divisions of the Company for ensuring coverage of all areas of operations in order to bring a transparency in the whole spectrum of the Company.

The Company has an Audit Committee, details of which have been provided with Corporate Governance Report. The Audit Committee reviews the Audit Report submitted by the Internal Auditors. Suggestions for improvement are considered and the Audit Committee follows up on the implementation of corrective actions.

The Committee also meets the Company's Statutory Auditors to ascertain, inter-alia, their views on the adequacy of internal control system in the Company and keeps the Board of Directors informed of its major observations from time to time. Only one meeting was held on May 4, 2010.

## H) HUMAN RESOURCES

As on 31.03.2011, the Company including its Subsidiaries (including PTL which is merged with HMT MTL) had a total workforce of 7231 employees, which comprised various categories of employees manufacturing plants and other Offices in Technical and other Professional areas as detailed below :

HMT	SUBSIDIARY-WISE PERSONNEL IN-POSITION							
	IP as on 31.3.2011	Engg. Gradu- ates	Diploma in Engg.	Professionals Finance	HRM	ITI / NAC*	General & PG Graduates	Others
HMT Limited	1904	72	212	5	8	1119	174	314
HMT MTL	3652	309	575	8	5	1541	321	893
HMT WL	1417	28	135	-	3	124	186	941
HMTCWL	113	-	1	-	-	15	18	79
HMT BLH	87	7	14	-	-	39	8	19
HMT (I) L	58	15	3	-	1	-	36	3
Total	7231	431	940	13	17	2838	743	2249

\* Under graduates & below SSLC

The Company has taken suitable measures to bring down the Personnel Costs by implementing several austerity measures.

Rationalization of surplus manpower and implementation of Voluntary Retirement Scheme ( VRS ) are therefore in progress in some of the subsidiaries of HMT Limited. The VRS is in operation in Subsidiaries viz., HMT Watches Ltd and HMT Chinar Watches Ltd and the same is extended from time to time based on availability of funds from Government, in order to encourage maximum number of employees to separate from the Company. The number of employees separated under the VR Scheme in the Subsidiary Companies viz., HMT Machine Tools Ltd, HMT Watches Ltd., HMT Chinar Watches Ltd and HMT Bearings Ltd., during the last four years is as follows:

SL. NO.	SUBSIDIARIES	NO. OF EMPLOYEES AVALIED VRS			
		2007-08	2008-09	2009-10	2010-11
1	HMT Machine Tools Ltd	260	101	-	-
2	HMT Watches Ltd	-	-	-	462
3	HMT Chinar Watches Ltd	95	241	80	19
4	HMT Bearings Ltd	-	-	-	104
	Total	355	342	80	585

The surplus manpower in certain areas has been deployed under re-deployment scheme by providing training and re-training to the incumbent employees and posting in thrust areas to meet the goals of the organization. Currently various measures are being taken to address the twin issues of attracting & retaining talent in the context of the perfect dynamic market scenario where the financial expectations of job expectants have undergone a radical upward change in the recent years. The Company is also trying its best to retain the skilled and professionally qualified personnel to arrest attrition.

## INDUSTRIAL RELATIONS

The Industrial Relations situations in the Company during the year remained cordial .

## CORPORATE GOVERNANCE

In compliance with Clause 49 of the Listing Agreement with the Stock Exchanges and as per the applicable provisions of the Companies Act, 1956 as amended from

time to time, your Directors submit their report on the matters mentioned in the said Clause and practice followed by the Company.

The Company has been following good Corporate Governance practices like striking out reasonable balance in the composition of the Board of Directors, setting up of Audit Committee and other Committees, adequate disclosure of information and business to be deliberated by the Board, etc.

## BOARD OF DIRECTORS

As on March 31, 2011, the Board of Directors comprised of the Director (Operations), two part-time Official Directors. Director (Operations) is holding additional charge of Chairman & Managing Director and also of Director

(Finance). Currently the position of 3 part-time Non Official (Independent) Directors are vacant.

The day-to-day management of the Company is conducted by the Director (Operations) who is also holding additional charge of Chairman & Managing Director and Director (Finance) under the supervision and control of the Board of Directors.

During the year 2010-11, five (5) Board Meetings were held on May 4, June 28, August 13 and October 28 in the calendar year 2010 and on February 15 in the calendar year 2011.

The compositions of Directors and their attendance at the Board Meetings and at other Meetings during the year are:

Name	Category	Attendance Particulars		Number of other Directorships and Committee Member/Chairmanships held		
		Board Meetings	AGM	Directorship/Chairmanship	Committee	
					Membership	Chairmanship
A.V. Kamat	C & ENI	5	YES	- / 6	-	-
Saurabh Chandra Appointed w.e.f. 16.07.2009	NENI	4	NA	-	-	-
Harbhajan Singh Appointed w.e.f. 11.01.2010	NENI	5	NA	-	-	-
K. Kipgen Ceased w.e.f. 25.06.2010	NEI	1	NA	-	-	-
S. G. Sridhar	ENI	5	YES	2/1	-	-

C: Chairman & Managing Director, ENI: Executive & Non Independent, NENI: Non Executive & Non Independent, NEI: Non Executive & Independent, NA: Not Applicable

## AUDIT COMMITTEE

The Audit Committee of the Board had been re-constituted from time to time with the induction of Independent Directors appointed on the Board by the Government. The Audit Committee was last reconstituted on January 24, 2009 with Shri S.K. Tuteja, Part-time Non Official (Independent) Director as Chairman, Shri S. Behuria, Part-time Official Director, Shri K. Kipgen, Part-time Non Official (Independent) Director and Shri S.G. Sridhar, Director (Operations) as Members and Director (Finance) as

permanent invitee and Company Secretary as convener. Further, in view of cessation of Shri S.K.Tuteja as Part-time Non Official (Independent) Director w.e.f.11.2.2010 the committee does not reflect the full complement of members as envisaged in the Listing Agreement (Clause 49).

The Audit Committee with only two members has met only once on May 4, 2010.

However, in view of the cessation of the Independent Directors and non induction of new incumbents to these

positions, the Audit Committee could not be duly reconstituted as per the requirement of the Listing Agreement (Clause 49). Further action for reconstitution will be taken after appointment of Independent Directors on the Board by the Government.

### REMUNERATION TO DIRECTORS

The details of remuneration of whole time Directors are given below:

Name of Director	Salary (₹.)	Other Benefits (₹)	Total (₹)
A.V. Kamat, CMD	446482	238747	685229
S.G. Sridhar, Director	732290	242419	974709

- No sitting fee is payable to any of the directors except Part-time Non-Official (Independent) Directors. An amount of ₹3000/- (₹2000/- per meeting for the Board and ₹1000/- for each Committee Meetings) has been paid as sitting fee to the Part time Non-Official (Independent) Director during the year for attending the Board and Committee Meetings.
- The salary of the whole time Directors does not include performance-linked incentive except amount payable as per the productivity linked incentive scheme of the Company.

### SHARE TRANSFER COMMITTEE

The Share Transfer Committee comprises of the Chairman and Managing Director as a single member to look after transfer/transmission of shares issued by the Company, issue of duplicate certificates and certificates after split/consolidation/renewal apart from confirmation of dematerialisation of shares on transfer to a depository. Six meetings were held during the year 2010-11.

Name of the Compliance Officer:

**Shri U. Jagadish Nayak, General Manager & Company Secretary**

### THE SHAREHOLDERS/INVESTORS GRIEVANCE

During the year ended March 31, 2011 there was only One complaint received from Shareholder which has been resolved during the year itself.

Number of pending Share Transfers - NIL

### GENERAL BODY MEETINGS

The last three Annual General Meetings were held as under:

Financial year	Date	Time	Location
2007-2008	27.09.2008	10.30 a.m	Registered Office at No. 59, Bellary Road, Bangalore-560 032.
2008-2009	30.09.2009	10.30 a.m	- Do -
2009-2010	29.09.2010	10.30 a.m	- Do -

A Special Resolution for increase in the Authorised Share Capital of the Company was passed during 2007-08. No special resolution was required to be put through postal ballot during the above meeting.

### DISCLOSURES

There were no transactions of material nature with its Promoters, the Directors or the Management, their Subsidiaries or Relatives etc., which may have potential conflict with the interest of the Company at large.

There were no instances of non-compliance by the Company, penalties, strictures imposed on the Company by the Stock Exchange or SEBI or any statutory authority or any matter related to capital markets during the last three years.

### MEANS OF COMMUNICATION

The Company has published its Quarterly and Annual Unaudited results of Financial Year 2010-11 as per the listing requirements in leading newspapers viz., Financial Express/Business Standard (English) and Samyukta Karnataka/Times of India - Kannada (Vernacular) on August 14, 2010, October 29, 2010, February 16, 2011 and

17.05.2011. The above results are also displayed at the Company's website www.hmtindia.com. Pursuant to the directions of Securities & Exchange Board of India (SEBI), the Company has been submitting documents viz., Shareholding Pattern, Financial Results, Annual Report etc. in the Electronic Data Information Filing and Retrieval (EDIFAR) system, on the website of SEBI.

(Annual Listing Fees for the year 2010-11 have been paid to the above Stock Exchanges)

## CEO AND CFO CERTIFICATION

In terms of Clause 49 of the Listing Agreement with the Stock Exchanges, the Certification by the CEO (Chairman & Managing Director) on the Financial Statements and Internal controls relating to financial reporting for the financial year 2010-11 has been obtained and was placed before the Board.

## GENERAL SHAREHOLDERS INFORMATION

1. **Annual General Meeting** **September 30, 2011**  
10.30 A.M at  
No.59, Bellary Road  
Bangalore - 560 032

### 2. Financial Calendar (Tentative)

Results for quarter ended Last Week of  
June 30, 2011 July 2011

Results for quarter ending Last week of  
September 30, 2011: October 2011

Results for quarter ending Last week of  
December 31, 2011: January 2012

Results for year ending Second week of  
March 31, 2012: May, 2012

3. **Book Closure** September 23, 2011 to  
September 30, 2011  
(both days inclusive)

4. **Listing of Shares and other Securities**

1. Bombay Stock Exchange Limited, Mumbai
2. National Stock Exchanges of India Ltd., Mumbai

## Stock Code No.

Bombay Stock  
Exchange Ltd., Mumbai 500191

National Stock Exchange  
of India Limited, HMT  
Mumbai ISIN No. INE 262A01018 IN

5. **Registrars & Share Transfer Agents** M/s. Karvy  
Computershare Private  
Limited.  
46, Avenue 4, Street  
No.1, Banjara Hills,  
Hyderabad - 500 034.

### 6. Share Transfer System

The Share Transfer Committee of the Board meets at regular intervals, so that shares lodged for transfer are registered and despatched back well within time limit prescribed in this respect under the listing agreements.

### 7. Non-Mandatory Requirements

Being a Government Company, the appointment and fixation of terms and conditions of appointment of all Directors are made by the Government of India. As the Company's financial results are displayed on the Website of the Company and published in the Newspapers, they are not separately circulated to all the shareholders. The Company is making endeavours to move towards a regime of unqualified financial statements. There is no formal Whistle Blower Policy in the Company. However, Company declares that no personnel has been denied the access to Audit Committee.

8. The details of high/low market price of the shares at the Bombay Stock Exchange Ltd., Mumbai and at National Stock Exchange of India Ltd., Mumbai are as under:

Month	Quotation At Bombay Stock Exchange Ltd., Mumbai		Quotation at National Stock Exchange of India Ltd., Mumbai	
	HIGH	LOW	HIGH	LOW
April 2010	85.85	77.00	85.60	76.50
May	82.40	63.70	82.15	61.40
June	75.50	66.70	75.35	65.10
July	78.45	70.10	78.40	70.00
August	88.80	70.60	88.80	70.15
September	81.70	72.40	81.80	72.40
October	78.00	70.00	78.00	70.00
November	81.30	58.90	81.50	57.35
December	84.40	61.30	84.00	61.20
January 2011	75.15	60.60	74.85	60.35
February	68.65	52.70	68.65	54.50
March	65.80	56.35	65.05	54.25

9. **Distribution of Shareholding:**

The shareholding distribution of Equity shares as of 31.03.2011 is given below:

Shareholding of nominal value of ₹	Share Holders		Share Amount Nominal Value (in ₹)	% to Total
	Number of Share Holders	% to Total No. of Share Holders		
Upto - 5,000	22496	90.47	29908460	0.39
5,001 - 10,000	1349	5.43	11224970	0.15
10,001 - 20,000	535	2.15	8229080	0.11
20,001 - 30,000	173	0.70	4469070	0.06
30,001 - 40,000	86	0.34	3046080	0.04
40,001 - 50,000	54	0.22	2524800	0.03
50,001 - 1,00,000	105	0.42	7550540	0.10
1,00,001 & Above	68	0.27	7536548400	99.12
<b>TOTAL</b>	<b>24866</b>	<b>100.00</b>	<b>7603501400</b>	<b>100.00</b>



#### 10. Shareholding Pattern: as on 31/03/2011

Shareholders	No. of Shares	%
Indian Promoters (President of India and his nominees)	75,18,53,740	98.88
Financial Institutions/Mutual Funds/Banks	2,75,830	0.04
Other Body Corporates	16,94,975	0.22
Individuals	63,65,303	0.84
Non Resident Indians	92,591	0.01
Clearing Members	65,440	0.01
Foreign Institutional Investors	2,261	-
<b>Total</b>	<b>76,03,50,140</b>	<b>100.00</b>

#### 11. Dematerialisation of Shares:

The Company's Shares are compulsorily traded in the electronic mode from June 26, 2000. As on 31st March 2011, 1.10 % of the Company's Shares representing 83,61,175 equity shares were held in dematerialised form and the balance 98.90% representing 75,19,88,965 shares were in the physical form.

#### 12. Address for correspondence:

The Company's Registered Office is situated at:  
HMT Bhavan, No.59, Bellary Road,  
Bangalore - 560 032, Karnataka, India.

#### 13. Plant Locations

The Company's plants are located at Pinjore in Haryana, Hyderabad in Andhra Pradesh and Aurangabad in Maharashtra, the addresses of which are given below:

Pinjore - 134101  
Dist. Panchkula, Haryana

Narsapur Road,  
HMT Township P.O., Hyderabad -- 500 854

H-2, MIDC, Chikalthana I.A.,  
Post Box No. 720, Aurangabad - 431 210

## ANNEXURE TO THE DIRECTORS' REPORT

Section 217 (1)(e) of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988

### 1. Conservation of Energy

#### a) Energy Conservation Measures Taken

On going efforts for conservation is constantly reviewed of the core areas for effective results. Green energy is harnessed for eco-friendly approaches. Some of the significant energy conservation measures during the year were:

#### Energy conservation Measures and Savings

- Energy efficient lighting system installed by replacing existing tube fittings in Tractors division. It will result in annual saving of 2,04,000 units of electricity i.e approximately ₹10 lakhs per annum.
- By installing translucent sheets and lowering down height of tube fittings in production shops, no. of Tube lights reduced.
- By improving power factor, rebate on electricity bills amounting to ₹17.00 Lakhs has been availed from State Electricity Board.
- Portable Compressors are being run when less air is required.

### 2. Technology absorption

- 25, 35, 40 & 50 HP Engines of HMT Tractor certified for TREM III A emission norms with HMT's R&D efforts as a back up plan.
- Developed 65hp tractor 4-Wheel Drive transmission, in with synchromesh gearbox and power steering.
- 5022 RX model Tractor developed and commercial production started.

- New body styling for HMT tractors developed
- Prototype of following products developed :
  - ✓ Rotavator 50HP
  - ✓ HMT 5022 RX with wet disc brake
  - ✓ New body styling for HMT 5022RX and 4022 PS Tractors.
- Launched of HMT 4022 tractor model with Wet Disc Brakes
- New generation of Tractor Engines are being developed to meet high torque, higher fuel efficiency and Compliance to Bharat (Trem) Stage III A emission norms.

### 3. Segment wise / product wise performance

HP Segment	2009 -10	2010 -11	Growth (%)
21-30	735	568	-22.72
31-40	3389	3210	-5.28
41-50	381	483	26.77
Above 50	396	659	66.41
Total	4901	4920	0.39

Tractors in higher HP segment i.e 41-50 hp and >50 recorded growth of 27% and 66% respectively over previous year.

### 4. Achievements /Significant Activities and Strategic initiatives undertaken during the year 2010-11

#### Operations:

1. Improvement in production as compared to previous year - Produced tractors worth ₹18134 lakhs in 2010-11 as compared to production value of ₹16433 lakhs during 2009-10, thus registered growth of 10.35%.
2. Automated Flexible Moulding line commissioned for better quality and higher productivity in the foundry.

3. Tractor spares are engraved with HMT logo and manufacturing batch no to ensure genuinity
4. Advance computerized Attendance recording system commissioned.
5. Energy efficient lighting system installed in the plant, admin. Building and colony. It will result in annual saving of 2,04,000 units of electricity i.e approximately ₹10 lakhs per annum.

#### Marketing:

1. Sales turnover recorded at ₹20006 lakhs in 2010-11 as compared to ₹19020 lakhs in previous year thus registered a growth of 5.18%.
2. Expanded Marketing Network to have wider reach to dealers and customers. It has also ensured deeper penetration in the untapped potential areas. 9 new Residence Offices and 1 Area Office opened.
3. Retail finance tie ups with PNB,OBC & Gurgaon Gramin Bank and renewal with L&T Finance and SBI boosted the sales.
4. Higher HP Tractor sales increased, 50 hp and 65 hp recorded growth of 27% and 66% respectively over previous year.
5. Appointed 44 new dealers all over India. Further one distributor each in Burdwan (West Bengal), Rajnangoan (Chattisgarh), Behrampur(Orissa) and Mehsana(Gujarat) were appointed.
6. Participated in 23 Agricultural Fairs.
7. Organized 110 Free service camps, 45 Sales campaigns, 11 Mechanics meet all over India totaling to 166 such activities conducted.

#### 5. R&D and Technology Up gradation:

R&D efforts for product upgradation & Technology absorption are constantly on priority agenda for a sustainable market share. Trends in the sector are closely monitored and efforts for the required product modifications / upgradation are focussed on need based approach.

#### Expenditure on R&D

(₹ in Lakhs)

Particulars	2009-10	2010-11
Capital	-	-
Recurring	172	211
Total	172	211
Total R&D Expenditure as % of Turnover	0.90	1.05

#### 6. PLAN FOR 2011-12:

- Tractor Business group is planning to produce and sell 6000 nos. Tractor, 245 IP Engines during 2011-12 with the turnover of ₹234 Crore
- Food Processing Machinery Division has planned to manufacture 307 Nos of Machines & sale of 329 Nos of machines both valued at ₹6 Crores.
- Increasing cash sale through distributors - Appointing distributors in Andhra Pradesh, Maharashtra and other states.
- Rationalization of manpower in field marketing.
- Dealer network would be further increased to improve sales and service.
- Efforts for exclusive financial tie up with Public Sector banks will continue in 2011-12.
- Launching of Rotavator
- Production of 5022 Tractors with wet disc brake

#### 7. FOREIGN EXCHANGE EARNINGS AND OUTGO

- Foreign Exchange Earning on account of export (FOB) was ₹9.00 Lakhs as against ₹6.00 Lakhs in the previous year. Foreign Exchange Outgo was ₹26.00 Lakhs as against ₹39.00 Lakhs in the previous year. Expenditure in Foreign currencies on account of Royalty, Know-how/Professional Consultation Fees, Interest and other matters was Nil for the year 2010-11 as against 2.00 Lakhs in the previous year.
- All Exports of the Company's products are managed by HMT (International) Limited, the wholly owned Subsidiary.

## CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of HMT Limited,

We have examined the compliance of conditions of Corporate Governance by HMT Limited ("the Company"), for the year ended on 31st March 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

The full complement of Independent Directors as required under clause 49 of the Listing Agreement have not been fulfilled and the Audit Committee was not re-constituted as per the requirement of the listing agreement.

Subject to the above, in our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders / Investors Grievance Committee.

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

**For Dagliya & Co.,**  
Chartered Accountants  
F.R.N. 671S

**P.Manohara Gupta**  
*Partner*  
M. No. 16444

**Place: Bangalore**  
**Date: 29.07.2011**

## DECLARATION BY THE CHAIRMAN & MANAGING DIRECTOR

Sub: Code of Conduct - Declaration under Clause 49 {I(D)}

This is to certify that:

In pursuance of the provisions of Clause 49 (I)(D) of the Listing Agreement, a Code of Conduct for the Board Members and Senior Management and for the Part-time Directors has been approved by the Board.

The said Code of Conduct has been uploaded on the website of the Company and has also been circulated to the Board Members and the Senior Management Personnel of the Company; and,

All Board Members, both Full time and Part-time and the Senior Management have affirmed compliance of the said Code of Conduct, for the year ended March 31, 2011.

  
Chairman

**Place: Bangalore.**  
**Dated : July 25, 2011.**

## AUDITORS' REPORT

TO  
The Members of HMT Limited  
BANGALORE

### Report on the Financial Statements:

- I. We have audited the attached Balance Sheet of **HMT Limited (the Company)** as at **31st March 2011**, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto in which are incorporated the accounts of Corporate Head office audited by us and the accounts of Tractor Division, Food Processing Machinery Division and Common Services Division audited by Branch Auditors, appointed under section 619(2) of the Companies Act, 1956.

### Revised Audit Report:

We had given our report on the accounts of the company on July 29, 2011. In the light of C & AG's observations under section 619 (4) of The Companies Act, 1956, on the accounts of the company, the above report is revised by modifying Sub Paras 2 (c ); 4; 7; & 9 (ii) of Para V and by adding Sub Paras 11 and 12 to Para VII. This report is in substitution of our earlier report dated July 29, 2011.

Management's Responsibility for the Financial Statements:

- II. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

### Auditors Responsibility:

- III. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant

estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- IV. The audit reports on the accounts of the units of the Company audited by the branch auditors appointed under section 619(2) of the Companies Act, 1956 have been considered by us in preparing our report and necessary adjustments in the accounts of the units have been made to the extent required on the basis of the information made available to us.

### Companies (Auditor's Report) Order, 2003 (CARO):

- V. As required by the Companies (Auditor's Report) Order, 2003 (as amended in 2004) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks as considered appropriate and according to the information and explanations given to us and relying on the audit reports of the branch auditors in respect of units audited by them, we state that:

### Fixed Assets:

1. (a) The company has maintained proper records showing full particulars, including quantitative details and the situation of fixed assets.
- (b) The fixed assets have been physically verified by the management during the year in accordance with its phased programme designed to cover the assets of all locations/units by physical verification once in three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, fixed assets at certain locations were physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- (c) The Company has not disposed off any substantial part of the fixed assets during the year, which affects the going concern status of the company.

**Inventories:**

2. (a) The inventories other than those held by sub-contractors, ancillary units and goods stored in Custom's warehouses have been physically verified during the year by the management. Confirmations in respect of stocks held sub-contractors, ancillary units and goods stored in custom's warehouses are not received in certain cases, where book values are adopted. Excepting above, in our opinion the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory except in one unit, viz., Food Processing Machinery Division, Aurangabad, where stock records/ Bin cards are not properly maintained / updated. The discrepancies between the physical stocks and the book records were not material and have been properly dealt with in the books of account except in one unit where in the absence of adequate stock records, discrepancies, if any, could not be ascertained.

**Loans borrowed or given:**

3. The company has not granted or taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Hence, clauses (a) to (g) of the said order are not applicable.

**Internal control Procedures:**

4. Subject to non maintenance of stock records/ Bin Cards at Food Processing Machinery Division, Aurangabad, in our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system of the company.

**Transactions covered u/s 301 of the Companies Act, 1956:**

5. (a) In our opinion and according to the information and explanations given to us, there are no transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 having regard to the view taken that the transactions with the government companies need not be entered in the register as no personal interest of the directors is involved.
- (b) In our opinion and according to the information and explanations given to us, as there are no transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956, paragraph 4 (v) (b) of the Order is not applicable.

**Deposits from Public:**

6. The Company has not accepted any deposits from the public within the meaning of section 58A of the Companies Act, 1956 and Rules framed there under and accordingly the provisions of Section 58A & 58 AA of the Companies Act, 1956 are not applicable to the company.

**Internal Audit System:**

7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.

**Maintenance of Cost records:**

8. The Company has maintained cost records pursuant to the Rules made by the central government under section 209 (1) (d) of the Companies Act, 1956 in respect of its tractor division as reported by the auditors of the said division. The Branch Auditors have broadly reviewed such cost records and prima facie, they are of the opinion that the prescribed accounts and records have been made and maintained.

**Remittance of Statutory dues:**

9. (i) The company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other statutory dues

applicable to it barring certain delay in provident fund dues remittances, Central Sales Tax and Central Excise.

Further since the central government has till date not prescribed the amount of cess payable u/s 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

- (ii) According to the information and explanation given to us no undisputed amounts payable in respect of statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales

Tax, service tax, customs duty, wealth tax, excise duty, cess applicable were outstanding at the year end for a period of more than six months from the date they became payable except ₹20.32 lakhs towards Central Excise, ₹196.27 lakhs towards Central Sales Tax and ₹45.86 lakhs towards Provident Fund dues.

- (iii) According to the information and explanation given to us and records of the company, there are no dues of income tax, sales Tax, service tax, customs duty, excise duty, cess which have not been deposited on account of any dispute, other than the following:

Name of the Statute	Nature of Dues	Amount (₹ In Lakhs)	Period to which the amount relates	Nature of Dispute	Forum where dispute is pending
Sales Tax Act	Sales Tax	159.70	1989-90, 1999-2000 to 2001-2002 & 2003-2004 to 2004-05	Applicability of levy	Jt. Comm. (Appeal) Aurangabad
Sales Tax Act	Non-submission of Form C&D	112.17	1990-91 to 1996-97	Non submission of Form C	Various States before Dy. Commissioner (Appeals)
Central Excise Act 1944	Excise Duty	2.48	1990-91 to 1996-97	Applicability of levy	CESTAT, Bangalore
Central Excise Act 1944	Excise Duty	24.36	1988-89	- do -	Excise Appellate Tribunal
Haryana General Sales Tax Act	Sales Tax /VAT	299.71	2001-02 to 2005-06	- do -	Punjab & Haryana High Court
	<b>TOTAL</b>	<b>598.42</b>			

#### Accumulated Cash Losses:

10. **The company has accumulated losses more than 50% of its net worth as at the end of the financial year. The company has incurred cash losses in the current year and also in the immediately preceding financial year.**

#### Dues to Financial Institutions:

11. In our opinion and according to the information and explanations given to us the Company has defaulted in repayment of dues to the Bond Holders and Bank as detailed below:

Particulars	Principle (₹ in Crores)	Interest (₹ in Crores)	Due since	Remarks
10% Secured Bonds- A,B,C & E Series	31.80	25.96	June 2004 to August 2006	
12% Secured Bonds- A,B & C Series	28.70	27.85	June 2004 to August 2006	
8 Year 8.5% HMT Bonds 2002		5.20	27.11.2010	Paid on 5th April, 2011
Term Loan from UCO Bank	93.98		Re-scheduled for a further period from 10.8.2009 to 10.8.2010 and repaid on re-scheduled date.	
Short Term Loan from UCO Bank	20.00		Re-scheduled to be paid up to 31.3.2012.	

#### Loans and Advances against Securities:

12. Based on our examination and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities

#### Provisions applicable to Nidhi and Chit Fund Companies:

13. In our opinion, the Company is not a Chit fund or a nidhi / mutual benefit fund / society. Therefore, clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.

#### Dealing in shares and securities:

14. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

#### Guarantees given by the company for loans taken by others:

15. In our opinion, the terms and conditions on which the company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the company.

#### End use of Term Loans raised :

16. In our opinion, the term loans have been applied for the purpose for which they were raised. However no term loans are obtained during the year under audit.

#### Utilisation of Short Term Funds:

17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.

#### Preferential Allotment of Shares:

18. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
19. **The Company has not created charge in respect of the following:**

- a. 10% Non Convertible  
Bonds- ₹31.80 Crores
- b. 12% Non Convertible  
Bonds- ₹28.70 Crores



Even though the bonds were issued as secured bonds, trust deed in favour of bond holders has not been executed. Moreover the above Bonds are over due for redemption since 1st June, 2004, being earliest date of redemption.

#### Public Issues:

20. The Company has not raised any money by way of public issues during the year. Hence disclosure and verification of end use of money raised by public issue does not arise.

#### Frauds:

21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the period under audit.

#### Emphasis of Matter

- VI. With out qualifying our opinion, we invite attention to the following:

1. The company has not re-constituted the Audit Committee as required under Section 292 A of The companies Act, 1956, since appointment of independent directors by the Govt of India is pending, as explained to us.
2. The Authorised Share Capital was enhanced from 1000 Crores to ₹1450 Crores vide resolution passed at 55th Annual General Meeting of the members of the company held on September 27, 2008, but the company has not notified the Registrar of Companies by filing Form-5 prescribed under the Companies General Rules and Forms.
3. Following Accounting Policies disclosed in the financial statements either not complete or they are not in line with the Accounting Standards notified under The Companies (Accounting Standards) Rules, 2006:
  - a) **Inventories:** Cost formula used in respect of Finished Goods and Work-in- Progress are not stated.
  - b) **Development & Commissioning :** Charging to revenue over four financial years is not in consonance with AS- 10,

- c) **Deferred Revenue Expenditure :** Amortisation of Technical Assistance Fee is not in consonance with AS-26.

- d) **Foreign Currency transactions :** Recognising exchange differences on forward contracts to P& L Account is not in consonance with AS-11.

However there is no impact on the financial statements for the year since there are no transactions in the above areas.

- VII. Further to our comments in Paragraphs IV , V and VI above:

#### Information & Explanations:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

#### Maintenance of books of accounts:

2. Subject to our comments in Paragraphs VII 6 to VII 12 below, in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches audited by branch auditors;
3. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

#### Reporting Requirements under section 274 (1) (g):

4. In our opinion, based on the notification no. GSR 829 (E) dated 21.10.03 issued by the Department of Company Affairs, Government of India, the requirements under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 with regard to directors' qualifications do not apply to the Company, being a Government Company;
5. **subject to our comments at paragraphs VI 3 above and VII 6 to 12 below,** in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to

in sub-section (3C) of section 211 of the Companies Act, 1956;

**Basis for Opinion:**

6. The Company has made long term investments aggregating to ₹45.62 Crores in subsidiary companies, viz., HMT Watches Limited, HMT Chinara Watches Limited and HMT Bearings Limited whose net worth has eroded and these companies are suffering continuous losses. Market value of the assets of these companies, results and expected cash flows from these investments is not ascertained. In view of the above deficiencies, in our opinion, there is a total decline in the value of these investments, which is other than temporary. No provision for above diminution is made. This is in contravention of the requirement of AS 13 prescribed under Companies (Accounting Standards) Rules, 2006, resulting in the understatement of loss for the year & cumulative loss and overstatement of investments to that extent.
7. The company has also given loans and advances to the subsidiaries stated in clause VII 6 above and the aggregate dues from them as at 31st March, 2011 amount to ₹516.18 Crores. In view of our observations made in clause VII 6 above, these dues should have been considered as doubtful of recovery requiring provision for the same. Consequently loss for the year & cumulative loss is understated and loans and advances are overstated to that extent.
8. Five acres of lease hold land with book value of ₹0.03 Crores as at 31st March, 2011 at Food Processing Unit, Aurangabad has been encroached for which eviction suits filed by the company before Joint Civil Judge, Aurangabad was dismissed vide Court's order dated 20th October, 2006 and the company had not preferred any appeal before higher courts. The said land is continued to be shown in the books of the company. Consequently loss for the year & cumulative loss is under stated and the fixed assets are overstated by ₹0.03 Crores.
9. Identification of impaired assets, recognition and measurement of impairment loss as required by AS-28 has not been carried out. Consequential impact on the financial statements is indeterminate.
10. Certain balances under sundry creditors, other liabilities, sundry debtors, loans and advances are subject to confirmation and reconciliation. These balances include certain old balances requiring review and reconciliation. Consequential impact of the same on the loss for the year/ accumulated loss and current liabilities is not ascertainable.
11. During the years 2002-03 and 2003-04, the company had sold certain lands vested with HMT Machine Tools Limited, a subsidiary company for a consideration of ₹36.57 Crores and the profit on sale of such land amounting to ₹36.55 Crores were accounted by the company. The company had an understanding with the subsidiary to adjust the consideration by transferring land of equivalent value. However the company is yet to identify equivalent land for the said value for transfer to HMT Machine Tools Limited. This fact has not been disclosed in the financial statements.
12. Fixed Assets include 839.40 acres of land at Pinjore gifted by the State Government to the company, in respect of which mutation of title in the name of the company is yet to be carried out in the revenue records. This fact has not been disclosed in the financial statements. Further, about 11.73 acres out of above land at Pinjore have been acquired by National Highway Authority of India (NHAI). Pending mutation of title, the offer of compensation of approx. ₹3.20 Crores by NHAI is yet to be obtained by the company, which fact also not been disclosed in the financial statements.

**Opinion:**

- VIII. We further report that, without considering our comments mentioned in paragraphs VII 9 to 12 above, the effect of which could not be determined, had the observations made by us in paragraphs VII 6, 7 & 8 above been

considered, loss for the year would have been ₹641.07 Crores ( as against reported figure of ₹79.24 Crores); the adverse balance in Profit & loss Account (Cumulative) would have been ₹1281.71 Crores (as against reported figure of ₹719.88 Crores), Investments would have been ₹719.94 Crores (as against reported figure of ₹765.56 Crores), Loans and Advances would have been ₹33.84 Crores (as against reported figure of ₹550.02 Crores) and Net Block of Fixed assets would have been ₹36.05 Crores (as against reported figure of ₹36.08 Crores)

Subject to the above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give

the information required by the Companies Act, 1956, in the manner so required and, give a true and fair view in conformity with the accounting principles generally accepted in India:

- i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2011;
- ii. in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and
- iii. in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**For Dagliya & Co.,**  
Chartered Accountants  
F.R.N. 671S

**P.Manohara Gupta**  
Partner  
M. No. 16444

Place : Bangalore  
Date : August 30, 2011

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF M/S. HMT LIMITED FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2011.**

The preparation of financial statements of **M/s HMT Limited** for the year ended 31<sup>st</sup> March 2011 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 29.07.2011 and their **revised report dated 30.08.2011**.

I on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of **M/s HMT LIMITED for the year ended 31<sup>st</sup> March 2011**. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records. In view of the **revision made in Auditors' Report vide Sub Para 2 (c), 4, 7 & 9(ii) of para V and by adding Sub Paras 11 and 12 to Para VII** as a result of my audit observations highlighted during supplementary audit, *I have no further comments to offer upon or supplement to the Statutory Auditors' Report, under Section 619(4) of the Companies Act, 1956.*

**For and on the behalf of the  
Comptroller & Auditor General of India**

**(C. H. Kharshiing, I.A.A.S)  
Pr. Director of Commercial Audit  
& Ex-officio Member, Audit Board, Bangalore.**

**Bangalore  
Dated : 8 September, 2011**

## SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation of financial statements

The financial statements are prepared as of a going concern, under the historical cost convention, on accrual basis of accounting and in accordance with the provisions of the Companies Act, 1956 and comply with the mandatory Accounting Standards prescribed under Companies (Accounting Standards) Rules, 2006, to the extent applicable.

### Fixed Assets

Fixed Assets are stated at cost of acquisition or construction, net of Cenvat credit, less accumulated depreciation to date. Cost includes direct costs and financing costs related to borrowing attributable to acquisition that are capitalized until the assets are ready for use.

Land received free of cost from the State Governments has been nominally valued and incidental expenditure incurred thereon has been capitalized.

Expenditure on development of land is included in the cost of land.

Assets taken on **Finance Lease** are capitalised at fair value / NPV / contracted price. Depreciation on the same is charged at the rate applicable to similar type of fixed assets as per Accounting Policy on "Depreciation". If the lease assets are returnable to the lessor on expiry of lease period, the same is depreciated over its useful life or lease period, whichever is shorter.

Lease payments made are apportioned between finance charges and reduction of outstanding liability in relation to assets taken on lease.

Lease payments made for assets taken on **Operating Lease** are recognised as expense over the lease period.

Expenditure incurred on **Reconditioning** of plant, machinery and equipment which increases the future benefits from the existing asset beyond its previously assessed standard of performance is included in the Gross Book Value which results in:

(a) Modification of an item of plant to extend its useful life, including increase in its capacity;

- (b) Upgrading machine parts to achieve a substantial improvement in the quality of out-put; and
- (c) Adoption of new production processes enabling a substantial reduction in previously assessed operating costs.

The cost of an addition or extension to an existing asset which is of a capital nature and which becomes an integral part of the existing asset is added to its gross block value.

The expenditure on **Reconditioning** of plant, machinery & equipment which do not increase the future benefits from the existing asset beyond the previously assessed standard of the performance based on the technical assessment, is charged off to Revenue.

Items of Capital Assets with WDV of ₹1 lakh and above, which have been retired from active use, are disclosed at lower of book value or net realizable value and shown separately in the Fixed Assets Schedule.

### Depreciation

Depreciation on fixed assets is provided on straight-line method, at the rates prescribed in Schedule XIV to the Companies Act, 1956, pro-rata with reference to the date of addition or deletion. As and when assets gets fully depreciated, ₹1/- is retained as book value of the asset. Assets costing less than ₹5000/- per asset which is written off to ₹1/- in the year of purchase.

Depreciation on fixed assets is calculated on a pro-rata basis from the date of such addition or as the case may be up to the date on which such asset is sold, discarded or destroyed.

Premium for leasehold land is amortized equally over the period of lease.

### Investments

Investments are either classified as current or long-term. Current investments are carried at lower of cost and fair value. Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment. Gain or loss is recognized in the year of sale.

**Inventories**

Inventories are valued at the lower of cost and net realizable value. The cost of materials is ascertained by adopting Weighted Average Cost Method.

**Development & Commissioning**

In respect of new projects, the pre-production revenue expenditure (including depreciation) is collated under the head "Development and Commissioning Expenditure" and charged to revenue over four financial years as follows:

- (a) In the year of commencement of commercial production, one-fourth of the development and commissioning expenditure on a pro-rata basis for the period of production in that year: and
- (b) The balance equally over the next three financial years immediately following.

**Deferred Revenue Expenditure**

Technical Assistance fees (including fees for technical documentation and exchange fluctuation difference) paid / payable under foreign collaboration agreements are amortized equally over the duration / balance duration of the relevant agreement.

Gratuity, Earned Leave encashment, Settlement Allowance and Lump sum Compensation paid to employees under Voluntary Retirement Scheme shall be fully written off in the year of disbursement.

Expenses incurred in respect of Bonds issued for raising funds to meet payments made under the Voluntary Retirement Scheme are fully written off in the year of disbursement.

**Revenue recognition**

Sales are set up based on:

Physical delivery of goods to the customer / customer's carrier /common carrier, duly supported by invoice, excise duty paid challan, gate pass, delivery voucher and LR / GR, in case of ex-works contracts.

LR/GR obtained and endorsed in favour of customer (consignee 'self'), in case of FOR destination contracts.

Despatches to dealers/customers in respect of Machines & Tractors

Sales include Excise Duty but are net of trade discount and exclude sales tax.

**Foreign currency transactions**

Transactions in foreign currency are recorded at the exchange rate(s) prevailing on the date of transaction or at the forward contract rate(s) wherever applicable. Current assets and liabilities are restated at the rates prevailing at the yearend or at the forward contract rate(s) wherever applicable, and the difference is recognized as income or expenditure in the profit and loss account.

Exchange difference arising on restatement of liabilities in foreign currency relating to fixed assets is recognised as Income or Expenditure in the statement of Profit & Loss account.

**Borrowing costs**

Borrowing costs are charged to revenue except those which are incurred on acquisition or construction of a qualifying asset that necessarily takes substantial time to be ready and until intended use of the said asset, such costs are capitalized.

**Employee Benefits**

Provident Fund is provided for, under a defined benefit scheme. The contributions are made to the Trust administered by the company.

Leave encashment is provided for under a defined benefit scheme based on actuarial valuation.

Gratuity is provided for, under a defined benefit scheme, to cover the eligible employees, liability being determined on actuarial valuation. Annual contributions are made, to the extent required, to a trust constituted and administered by the Life Insurance Corporation of India under which the coverage is limited to ₹50,000/- per eligible employee. The balance provision is being retained in the books to meet any additional liability accruing thereon for payment of Gratuity.

Settlement allowance is provided for, under a defined benefit scheme, to cover the eligible employees, liability being determined on actuarial valuation.

Pension is provided for under a defined benefit scheme, contributions are made to the Pension Fund administered by the Government.

**Warranty**

Warranty provision for contractual obligations in respect of machines/ tractors sold is set up based on the past experience and is provided in the year of sale.

**Special Tools**

Expenditure on manufactured and bought out special tools are amortized equally over a five year period or earlier, if scrapped. Individual items costing less than ₹750/- are written off fully in the initial year of acquisition / manufacture.

**Research and Development Costs**

Revenue expenditure is charged to profit and loss account under natural heads. Capital expenditure is recorded as addition to fixed assets and depreciated over the estimated life of the related assets.

Prototypes developed are carried as items of inventory at the lower of cost or net realizable value until sale / transfer / scrapping. Prototypes remaining undisposed off for a period of five financial years are provisioned for obsolescence in the sixth year.

Contribution to sponsored Research and Development are amortised equally over the duration / balance duration of the programme.

**Income Tax**

Taxes are determined following the tax effect accounting method and a provision therefore is recognized. A deferred tax asset or deferred tax liability is recorded to recognize the tax effect on timing differences arising on reconciliation of profit / loss as per financial statements and profit / loss as per taxation.

**Earnings per share**

Basic earnings per share is determined by considering the net profit after tax, inclusive of the post tax effect on extraordinary items, if any, and the number of shares outstanding on a weighted average basis.

**Others**

The amount of ₹50,000/- per head received / receivable from LIC on account of gratuity claims in respect of employees separated under Voluntary Retirement Scheme during the year is accounted as Other Income.

In respect of employees who are separated other than under Voluntary Retirement Scheme, the Gratuity paid in excess of ₹50,000/-, Earned Leave Encashment (ELE), Settlement Allowance (SA) is debited to the respective provision accounts. The provision at the year end for ELE and SA is restated as per the actuarial valuation done at the year end. In case of ELE and SA, any short or excess provision is charged as expenditure or treated as provision no longer required.

**BALANCE SHEET AS AT 31ST MARCH 2011**

(₹ in Thousands)

	Sch. No.	As at 31.03.2011	As at 31.03.2010
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Capital	1.1	760,35,01	760,35,01
Share Application Money	1.2	443,00,00	443,00,00
Reserves & Surplus	1.3	-	-
<b>LOAN FUNDS</b>			
Secured Loans	2.1	143,71,73	254,65,19
Unsecured Loans	2.2	454,99,15	366,26,19
		<u>598,70,88</u>	<u>620,91,38</u>
		<u>1802,05,89</u>	<u>1824,26,39</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
	3.1		
Gross Block		136,47,83	136,39,25
Less: Depreciation		<u>100,39,88</u>	<u>96,93,07</u>
Net Block		36,07,95	39,46,18
Capital Work-in-Progress		70	-
Machinery and Equipment in transit and under inspection/erection		2,59,10	82,09
	4.1	765,55,87	765,55,87
<b>INVESTMENTS</b>			
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	5.1	28,35,86	29,00,01
Sundry Debtors	5.2	72,48,74	68,64,20
Cash and Bank Balances	5.3	3,82,86	4,38,51
Other Current Assets	5.4	87,62	1,10,68
Loans and Advances	5.5	550,01,90	623,54,71
		<u>655,56,98</u>	<u>726,68,11</u>
<b>Less: CURRENT LIABILITIES AND PROVISIONS</b>			
Current Liabilities	6.1	167,55,12	142,56,13
Provisions	6.2	75,54,17	71,80,58
		<u>243,09,29</u>	<u>214,36,71</u>
Net Current Assets		412,47,69	512,31,40
<b>MISCELLANEOUS EXPENDITURE</b>			
(To the extent not written off or adjusted)		-	-
<b>PROFIT AND LOSS ACCOUNT</b>	7.1	585,34,58	506,10,85
		<u>1802,05,89</u>	<u>1824,26,39</u>
<b>NOTES TO ACCOUNTS</b>			
Accounting Policies form part of the Accounts	10.1		

For and on behalf of the Board

As per our Report attached  
For DAGLIYA & CO.  
Chartered Accountants  
F.R.N. 671S

S.G. Sridhar  
Director, Operations

Harbhajan Singh  
Director

U. Jagadish Nayak  
Company Secretary

P. Manohara Gupta  
Partner  
M.No.16444

Place : Bangalore  
Date : July 25, 2011



**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011**

(₹ in Thousands)

	Sch. No.	Year ended 31.03.2011	Year ended 31.03.2010
<b>EARNINGS</b>			
Sales (Gross)	8.1	200,86,00	191,63,71
Less: Excise Duty		1,56,45	1,43,92
Net Sales		199,29,55	190,19,79
Other Income	8.3	15,06,83	10,78,02
Accretion/(Decretion) to Work-in-Progress, Finished Stock and Scrap	8.4	(89,99)	(12,23,41)
		<u>213,46,39</u>	<u>188,74,40</u>
<b>Less: OUTGOINGS</b>			
Materials	9.1	137,35,24	120,82,55
Personnel	9.2	83,71,03	67,62,33
Depreciation		3,86,90	3,91,87
Other Expenses	9.3	30,52,99	31,03,59
Interest (net)	9.4	38,71,23	19,67,70
Less: Jobs done for Internal use	8.2	(1,46,97)	(1,47,89)
		<u>292,70,42</u>	<u>241,60,15</u>
<b>Profit/(Loss) Before Tax, adjustment for PPA</b>		<u>(79,24,03)</u>	<u>(52,85,75)</u>
Less: Prior Period Adjustments (PPA)	9.5	(30)	4,78
<b>Profit/(Loss) Before Tax</b>		<u>(79,23,73)</u>	<u>(52,90,53)</u>
Less: Deferred tax		-	-
<b>Profit/(Loss) After Tax</b>		<u>(79,23,73)</u>	<u>(52,90,83)</u>
Balance Carried to Balance sheet		<u>(79,23,73)</u>	<u>(52,90,53)</u>
Basic/Diluted Earnings Per Share, of ₹10/- each (in Rupees)		(1.04)	(0.70)
Number of Equity Shares (Weighted Average Basis)		760350140	760350140

**NOTES TO ACCOUNTS**

10.1

Accounting Policies form part of the Accounts

For and on behalf of the Board

As per our Report attached  
For DAGLIYA & CO.  
Chartered Accountants  
F.R.N. 671S

S.G. Sridhar  
Director, Operations

Harbhajan Singh  
Director

U. Jagadish Nayak  
Company Secretary

P. Manohara Gupta  
Partner  
M.No.16444

Place : Bangalore  
Date : July 25, 2011

**SCHEDULES FORMING PART OF BALANCE SHEET**

(₹ in Thousands)

Sch. No.	As at 31.03.2011	As at 31.03.2010
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**1.1 SHARE CAPITAL****AUTHORISED**

100,00,00,000 (previous year 100,00,00,000) Equity Shares of ₹10/- each 10,00,00,00 10,00,00,00

4,50,00,000 (previous year 4,50,00,000) Preference Shares of ₹100/- each 450,00,00 450,00,00

14,50,00,00 14,50,00,00

**ISSUED, SUBSCRIBED AND PAID-UP**

76,03,50,140 [Prev. Year 76,03,50,140] Equity Shares of ₹10/- each [of the above 3,18,85,900 (previous year 3,18,85,900) shares] are allotted as fully paid-up for consideration other than cash] 760,35,01 760,35,01

760,35,01 760,35,01

**1.2 SHARE APPLICATION MONEY**

Towards 3.5% Redeemable Preference Share Capital under Revival Plan of HMT Machine Tools Ltd, a Subsidiary Company, approved by Govt. of India 443,00,00 443,00,00

443,00,00 443,00,00

**1.3 RESERVES AND SURPLUS**

	As at 01.04.2010	Withdrawals	Additions	As at 31.03.2011
General Reserve	134,53,11	-	-	134,53,11
Less : Profit and Loss Account (Ref. Sch 7.1)	134,53,11	-	-	134,53,11
	-	-	-	-

**2.1 SECURED LOANS****3 YEAR HMT BONDS-2001**

Non Convertible Bonds with interest @ 10% & 12% redeemable at par, the earliest date of redemption being 01-06-2004 secured by assets of the Company located at Pinjore and assets of HMT Machine Tools Ltd., a Subsidiary Company, located at Ajmer. Trust Deed in favour of the Bond Holders is pending execution. 60,50,00 60,50,00

Interest Accrued and Due 17,30,75 18,06,43

## SCHEDULES FORMING PART OF BALANCE SHEET

(₹ in Thousands)

Sch. No.	As at 31.03.2011	As at 31.03.2010
<b>8 YEAR 8.50% HMT BONDS 2002 - Guaranteed by Central Government</b>		
Non Convertible Bonds redeemable at par, the date of redemption due on 27-11-2010, secured by registered mortgage of the immovable property of the Company in the State of Maharashtra in favour of UCO Bank, the Trustees, vide Trust Deed dated 22-7-2003.	-	122,28,00
Interest Accrued and Due	5,19,69	-
<b>FROM BANKS</b>		
Cash Credit Loans secured by hypothecation of inventories and sundry debtors by first charge and collateral security by way of equitable mortgage by deposit of title deed of the immovable property of the Company ranking pari passu inter-se the participating banks	40,49,28	33,60,83
Short Term Loan secured by hypothecation of inventories and sundry debtors by first charge and collateral security by way of equitable mortgage by deposit of title deed of the immovable property of the Company ranking pari passu inter-se the participating banks	20,00,00	20,00,00
Interest Accrued and Due	22,01	19,93
	<b>143,71,73</b>	<b>254,65,19</b>
<b>2.2 UNSECURED LOANS</b>		
Short Term Loan from Bank Guaranteed by Central Government	-	93,98,00
Loans from a Subsidiary - HMT International Ltd	4,30,00	4,30,00
Loans from Government of India	350,39,15	205,11,15
Interest Accrued and Due	100,30,00	62,87,04
	<b>454,99,15</b>	<b>366,26,19</b>

### 3.1 FIXED ASSETS

Particulars	(₹ in Thousands)						
	Gross Block at cost as at 1.4.2010	Additions	Deductions/ Adjustments	Gross Block at cost as at 31.3.2011	Total Depreciation as at 1.4.2010	Deductions/ Adjustments during the year	Net Block as at 31.3.2011 as at 1.4.2010
Land & Land Development	1,72,21	8,59		1,80,80	-		1,80,80 1,72,21
Land-Leasehold	17,09			17,09	5,37	18	11,53 11,72
Buildings	21,32,77		17	21,32,60	11,28,60	37,92	9,66,11 10,04,17
Plant and Machinery	106,84,37	38,14	19,45	107,03,06	79,84,94	3,38,00	23,99,58 26,99,43
Furniture, Fittings & Office Appliances	4,54,12	2,14	28	4,55,98	4,09,41	6,76	40,04 44,71
Transport Vehicles	1,78,69		20,39	1,58,30	1,64,75	4,04	9,89 13,94
<b>Total</b>	<b>136,39,25</b>	<b>48,87</b>	<b>40,29</b>	<b>136,47,83</b>	<b>96,93,07</b>	<b>3,86,90</b>	<b>36,07,95 39,46,18</b>
Previous Year	132,48,74	4,32,26	41,75	136,39,25	93,42,48	3,91,87	96,93,07 39,46,18

Note: Quantum of loss due to Impairment of Assets as per AS-28 - Nil

### LAND

1. The Company is in possession of gift land located at Pinjore, Kalamassery and Hyderabad gifted by the respective State Governments admeasuring 839.40 acres, 30 acres and 660.75 acres respectively, nominally valued at ₹1/- each.
2. The Company is in possession of leasehold land measuring 30 acres at Aurangabad of which 5 acres of land has been encroached upon for which an eviction suit had been filed and the same has been dismissed by the Ill Joint Civil Judge (Senior Division), Aurangabad, vide order dated 20th October 2006. Hence the Company is pursuing with CIDCO for restoration of the unauthorised occupation.
3. Out of 660.75 acres of land at Hyderabad, Land measuring 28.40 acres was leased to Government Departments at Hyderabad. Pending registration of transfer the Company has agreed to release 14.20 acres of land in exchange for 14.20 acres of land under an exchange agreement with a State Public Sector Undertaking. The Company has also leased 1000 sq. yard of land for which lease deed was executed and agreed to release another two acres to AP Postal Department in Hyderabad, the execution of which is pending. The Company has secured stay from the Andhra Pradesh High Court, against repossession of 106 acres and 35 guntas of land by the Government of Andhra Pradesh. In the absence of finality being reached on the proposal for surrender of 300 acres of land owned by the Company at Hyderabad, to the Government of Andhra Pradesh in lieu of payment of part sale consideration and issue of marketable title for the balance land.
4. Out of 839.40 acres of land at Pinjore, Haryana Government has issued an order for resumption of 446 acres of unutilised land. The Company has obtained stay from the Hon'ble High Court of Punjab & Haryana against the said resumption order and the same is continuing. The Company has agreed to transfer about 4.98 acres of land alongwith certain structures thereon to Haryana Irrigation department at their request for the purpose of setting up of a Dam across Kaushalya River and the agreed compensation of ₹81.02 lakhs for the same is yet to be received.

## SCHEDULES FORMING PART OF BALANCE SHEET

(₹ in Thousands)

Sch. No.	As at 31.03.2011	As at 31.03.2010
<b>4.1 INVESTMENTS</b>		
<b>[LONG TERM - AT COST]</b>		
<b>INVESTMENTS IN GOVERNMENT SECURITIES (UNQUOTED)</b>	-	-
<b>TRADE INVESTMENTS (QUOTED)</b>	-	-
<b>OTHER INVESTMENTS (UNQUOTED)</b>		
30,00,000 (previous year 30,00,000) Ordinary Shares of Naira 1 each fully paid up in Nigeria Machine Tools Ltd, Nigeria	1,71,55	1,71,55
20,84,050 (previous year 20,84,050) Equity Shares of ₹1 each fully paid up in Gujarat State Machine Tools Corporation Ltd., Bhavnagar	20,84	20,84
1,60,800 (previous year 1,60,800) Equity Shares of ₹10 each fully paid up in Andhra Pradesh Gas Power Corporation Limited, Hyderabad	16,08	16,08
1,50,000 (previous year 1,50,000) Equity Shares of ₹10 each fully paid up in Sudmo HMT Process Engineers (India) Ltd., Bangalore	15,00	15,00
7,20,000 (Previous year 7,20,000) Equity Shares (including 6,90,000 (Previous year 6,90,000) Bonus Shares) of ₹10 each fully paid in HMT (International) Ltd, Bangalore (Wholly owned Subsidiary Company)	3,00	3,00
3,74,68,586 (previous year 3,74,68,586) Equity Shares ₹10 each fully paid up in HMT Bearings Ltd., Hyderabad (Subsidiary Company)	37,46,86	37,46,86
27,65,99,137 (Previous year 27,65,99,137) Equity Shares of ₹10 each fully paid up in HMT Machine Tools Ltd, Bangalore (wholly owned Subsidiary Company)	276,59,91	276,59,91
64,90,100 (Previous year 64,90,100) Equity Shares of ₹10 each fully paid up in HMT Watches Ltd., Bangalore (wholly owned Subsidiary Company)	6,49,01	6,49,01
16,60,100 (Previous year 16,60,100) Equity Shares of ₹10 each fully paid up in HMT Chinara Watches Ltd., Jammu (wholly owned Subsidiary Company)	1,66,01	1,66,01
4,43,00,000 (Previous year 4,43,00,000) 3.5% Redeemable Preference Shares of ₹100 each fully paid up in HMT Machine Tools Ltd, Bangalore (wholly owned Subsidiary Company)	443,00,00	443,00,00
	<b>767,48,26</b>	<b>767,48,26</b>
Less: Provision for diminution in value of Investment		
Nigeria Machine Tools Ltd., Nigeria	1,71,55	1,71,55
Gujarat State Machine Tools Corporation Ltd, Bhavnagar	20,84	20,84
	<b>1,92,39</b>	<b>1,92,39</b>
	<b>765,55,87</b>	<b>765,55,87</b>

**SCHEDULES FORMING PART OF BALANCE SHEET**

(₹ in Thousands)

Sch. No.	As at 31.03.2011	As at 31.03.2010
<b>5.1 INVENTORIES*</b>		
Stores and Spare Parts	3,72,22	4,26,38
Tools and Instruments	3,50,23	3,71,73
Raw Materials and Components	10,04,74	10,24,34
Materials & Components in transit (including receipts pending inspection and acceptance)	7,94	39,60
Finished Stock	3,98,73	7,26,86
Work-in-Progress	11,17,04	8,98,26
Scrap	44,55	25,19
	<b>32,95,45</b>	<b>35,12,36</b>
Less: Provision for slow/non-moving inventories	4,59,59	6,12,35
	<b>28,35,86</b>	<b>29,00,01</b>
*Includes stock with C&F Agents/Contractors Ancilliary units/Customs/in Bonds/at site	5,84	3,71
<b>5.2 SUNDRY DEBTORS *</b>		
<b>UNSECURED</b>		
Debts outstanding for a period exceeding six months		
Considered good	15,03,42	17,40,21
Considered doubtful	84,52,81	84,91,38
Other Debts:		
Considered good	57,45,32	51,23,99
	<b>157,01,55</b>	<b>153,55,58</b>
Less: Provision for Doubtful debts	84,52,81	84,91,38
	<b>72,48,74</b>	<b>68,64,20</b>
*Debts due by firms or Private Companies in which any Director is a partner or a director or a member	-	-
<b>5.3 CASH AND BANK BALANCES</b>		
Cash and Cheques on hand and in transit	5,44	19,24
With Scheduled Banks in Current Account	1,55,75	2,49,91
With Scheduled Banks in Deposit Account	2,21,67	1,69,36
	<b>3,82,86</b>	<b>4,38,51</b>
<b>5.4 OTHER CURRENT ASSETS</b>		
Special Tools	87,62	1,10,68
	<b>87,62</b>	<b>1,10,68</b>

# SCHEDULES FORMING PART OF BALANCE SHEET

(₹ in Thousands)

Sch. No.	As at 31.03.2011	As at 31.03.2010
<b>5.5 LOANS AND ADVANCES*</b>		
<b>SECURED CONSIDERED GOOD:</b>		
Advances	5,64	12,22
	<u>5,64</u>	<u>12,22</u>
<b>UNSECURED CONSIDERED GOOD</b>		
Loans to Subsidiary Companies		
HMT Machine Tools Ltd	9,46,30	8,78,38
HMT Watches Ltd	418,39,38	488,38,25
HMT Chinara Watches Ltd	73,86,70	73,35,22
	<u>501,72,38</u>	<u>570,51,85</u>
Advances to Subsidiary Companies		
HMT Machine Tools Ltd	2,66,39	3,73,28
HMT Watches Ltd	22,04,66	27,05,87
HMT International Ltd	11,04	19,14
HMT Bearings Ltd	1,95,27	2,14,57
	<u>26,77,36</u>	<u>33,12,86</u>
<b>ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED</b>		
<b>UNSECURED</b>		
Considered Good		
For Capital Expenditure	7	12,87
Others	18,51,58	16,32,40
Considered Doubtful		
Others	1,58,78	1,94,47
	<u>20,10,43</u>	<u>18,39,74</u>
Less: Provision for doubtful loans and advances		
Others	1,58,78	1,94,47
	<u>18,51,65</u>	<u>16,45,27</u>
<b>OTHER ADVANCES</b>		
<b>UNSECURED CONSIDERED GOOD</b>		
Balance with Collectors of Customs, Central Excise, etc.,	12,77	8,87
Deposits	2,66,69	2,63,63
Advance Income Tax	10,62	9,36
Advance Fringe Benefit Tax	4,79	50,60
	<u>2,94,87</u>	<u>3,32,51</u>
	<u>550,01,90</u>	<u>623,54,71</u>

\*Includes advances due from Directors and Officers of the Company

Maximum amount due at any time during the year

**SCHEDULES FORMING PART OF BALANCE SHEET**

(₹ in Thousands)

Sch. No.	As at 31.03.2011	As at 31.03.2010
<b>6.1 CURRENT LIABILITIES</b>		
Acceptances	1,32,67	11,47,60
Sundry Creditors		
Dues to Micro, Small & Medium Enterprises	7,10,49	5,96,94
Other Dues	57,77,82	43,58,25
Subsidiary Companies		
HMT Chinar Watches Ltd	8,57	3,22,43
Advances received against sales	3,48,58	2,23,35
Other Liabilities	68,22,38	55,63,93
Interest accrued but not due on Loans	29,54,61	20,43,63
	<b>167,55,12</b>	<b>142,56,13</b>
<b>6.2 PROVISIONS</b>		
Taxation	-	45,24
Contingencies	3,44,61	4,06,08
Gratuity	44,19,85	35,77,27
Other Provisions	27,89,71	31,51,99
	<b>75,54,17</b>	<b>71,80,58</b>
<b>7.1 PROFIT AND LOSS ACCOUNT</b>		
Opening Balance	640,63,96	587,73,43
Add: Profit / (Loss) for the year	79,23,73	52,90,53
Closing Balance	719,87,69	640,63,96
Less : General Reserve (Ref : Sch 1.3)	134,53,11	13,45,311
	<b>585,34,58</b>	<b>506,10,85</b>



**SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT**

(₹ in Thousands)

Sch. No.	Year ended 31.03.2011	Year ended 31.03.2010
<b>8.1 SALES*</b>		
Tractors	181,88,80	170,21,73
Food Processing Machinery	4,49,44	4,88,22
Accessories	2,25,85	2,48,56
Sundry jobs and miscellaneous sales	12,15,06	13,99,32
Packing/forwarding charges	6,85	5,88
	<b>200,86,00</b>	<b>191,63,71</b>
* Nett Of Trade Discount		
<b>8.2 JOBS DONE FOR INTERNAL USE</b>		
Shop manufactured Special Tools	1,46,97	1,47,89
	<b>1,46,97</b>	<b>1,47,89</b>
<b>8.3 OTHER INCOME</b>		
Servicing Income	2,75	2,82
Recoveries from Staff/Others	3,01,40	2,53,08
Royalties - from Subsidiaries	13,92	15,34
- from Others	3,96	4,78
Rent received	2,93,31	1,59,69
Profit on sale of assets	14,39	6,38
Dividend from subsidiaries	14,40	14,40
Provisions no longer required withdrawn	5,91,75	1,54,51
Guarantee Fee Subsidy received from GOI	-	1,22,00
Grant received from GOI	94	37,06
Miscellaneous Income	2,70,01	3,07,96
	<b>15,06,83</b>	<b>10,78,02</b>
<b>8.4 ACCRETION/(DECRETION) TO WORK-IN-PROGRESS, FINISHED STOCK AND SCRAP</b>		
<b>WORK IN PROGRESS</b>		
Closing Balance	11,17,04	8,98,26
Opening Balance	8,98,26	11,18,94
	<b>2,18,78</b>	<b>(2,20,68)</b>
<b>FINISHED STOCK</b>		
Closing Balance	3,98,73	7,26,86
Opening Balance	7,26,86	17,49,25
	<b>(3,28,13)</b>	<b>(10,22,39)</b>
<b>SCRAP</b>		
Closing Balance	44,55	25,19
Opening Balance	25,19	5,53
	<b>19,36</b>	<b>19,66</b>
	<b>(89,99)</b>	<b>(12,23,41)</b>

**SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT**

(₹ in Thousands)

Sch. No.	Year ended 31.03.2011	Year ended 31.03.2010
<b>9.1 MATERIALS</b>		
Raw materials and Components		
Opening Stock	10,24,34	8,46,90
Purchases	125,01,30	110,62,11
	135,25,64	119,09,01
Less: Closing Stock	10,04,74	10,24,34
Consumption of Raw Materials and Components	125,20,90	108,84,67
Consumption of Stores, Spares, Tools & Pkg. Matls.*	12,14,34	11,97,88
	137,35,24	120,82,55
*Includes Stores and Spare parts for: Repairs to Machinery	5,69	5,09
<b>9.2 PERSONNEL*</b>		
Salaries, Wages and Bonus	52,10,02	49,08,35
House Rent Allowance	1,86,53	2,00,22
Gratuity	16,74,81	3,82,42
Contribution to PF & FPS	5,51,42	5,46,70
Deposit Linked Insurance	10,85	7,25
Contribution to ESI	5	5
Welfare Expenses	7,37,35	7,17,34
	83,71,03	67,62,33
* Includes Wages for repairs to machinery	3,31,65	2,56,13
Payments relating to Directors (including Chairman & Managing Director)		
Salaries	11,79	15,15
Provident Fund	95	1,21
Gratuity	3,14	93
Medical	72	1,56
<b>9.3 OTHER EXPENSES</b>		
Power and Fuel	4,44,20	3,97,29
Rent	26,48	28,51
Rates and Taxes	59,00	54,18
Excise Duty	4,69	4,22
Insurance	26,20	31,96
Water and Electricity	3,18,28	2,70,57
Repairs to building	36,14	24,71
Repairs to machinery	19,96	6,69
Printing and Stationery	33,56	33,32
Rebate on Sales	1,80,48	2,07,39
Advertisement and Publicity	78,07	63,26
Auditors Remuneration #	3,18	2,93

## SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

Sch. No.	Year ended 31.03.2011	Year ended 31.03.2010
Guarantee Commission to Govt. of India for Bonds & Loans	-	2,15,98
Provision for Doubtful Debts, Loans and Advances	3,56,86	6,53,52
Warranty claims	1,57,27	1,65,93
Loss sustained by PF Trust	17,34	2,79
Loss on Assets sold	4	-
Amortisation of		
Technical Assistance Fees	-	29,27
Amortisation of Special Tools	1,73,60	1,57,50
Finance Charges	5,58	9,15
Bank / Discounting Charges	63,01	72,77
Obsolete Materials written off	51,17	-
Bad Debts / Advances written off	3,12,63	9
Carriage outwards	4,43,82	3,93,08
Travelling Expenses *	1,72,14	1,79,30
Miscellaneous Expenses **	5,27,52	5,61,48
Less: Recovery of Common Expenses from Subsidiary Companies	(4,58,23)	(4,62,30)
	<b>30,52,99</b>	<b>31,03,59</b>
# i) - for Audit	1,72	1,62
- in respect of taxation matters	25	21
- in any other manner	23	30
- reimbursement of expenses	49	32
- service tax	28	27
ii) Cost Audit Fee & expenses	21	21
Includes:		
* Travelling Expenses and Travel Insurance relating to Directors (including Chariman and Managing Director)	23,70	26,43
** Directors' Sitting Fees	3	18
<b>9.4 INTEREST</b>		
Government of India Loans	50,09,90	25,86,92
Cash Credit loans from Banks	4,82,12	3,65,59
GOI Guaranteed Short Term Loan	3,98,50	8,99,35
HMT Bonds	6,62,40	6,62,40
GOI Guaranteed HMT Bonds (VRS)	8,02,46	15,51,95
Inter Corporate Loan	43,00	43,00
Short Term Loan from Bank	2,37,15	2,35,25
Others	2,03,68	2,18,34
	<b>78,39,21</b>	<b>65,62,80</b>
Less: Interest Earned		
- on Bank deposits	8,27	11,04
- Interest Subsidy on VRS Bonds from GOI	3,42,02	7,75,52
- Interest from Subsidiaries on HC Loans	36,04,91	38,49,51
Less: Interest Subsidy to Subsidiaries on HC Loans	(3,24,80)	(4,31,10)
- Others	3,37,58	3,90,13
	<b>39,67,98</b>	<b>45,95,10</b>
	<b>38,71,23</b>	<b>19,67,70</b>

**SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT**

(₹ in Thousands)

Sch. No.	Year ended 31.03.2011	Year ended 31.03.2010
<b>9.5 PRIOR PERIOD ADJUSTMENTS(PPA)</b>		
Expenditure	11	-
Materials	23	-
Personnel	90	5,13
Other Expenses	1,24	5,13
Less: Income	1,54	35
Other Income	(30)	4,78

## 10.1 NOTES TO ACCOUNTS

(₹ in Thousands)

Sch. No.	As at 31.03.2011	As at 31.03.2010
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### BALANCE SHEET

#### 1 Segment Reporting as per Accounting Standard-17(AS-17)

The Company is carrying on the business of manufacturing and selling Tractors and Food Processing Machines. The Segment Reporting as per AS-17 is not applicable to HMT Limited, as the transactions of Food Processing Machinery is less than 10% of Tractor Business.

#### 2 The Company is contingently liable for:

##### 2.1 Claims against the Company not acknowledged as debts

##### A. Tax related claims pending in appeal

##### i) Excise Duty

2,48

2,48

##### ii) Sales Tax

2,71,87

2,71,87

##### B. Employee related claims relating to Lockouts, Back wages Incentive & Annual bonus, etc., pending adjudication, to the extent ascertainable

26,23

55,36

##### C. Others

Various cases relating to defective product, accident causing injuries to third parties, claims relating to supply of materials etc.

5,14,83

4,22,77

##### 2.2 Guarantees/Counter Guarantees issued

19,66,46

18,70,38

##### 2.3 Additional Bonus, if any, for the year 1985-86

(Refer Note No.8.1)

2,20

2,50

##### 2.4 Non receipt of related Forms against levy of concessional Sales Tax

7,89,41

6,55,66

#### 3 Estimated amount of contracts remaining to be executed on capital account and not provided for

3,46

1,22,39

#### 4 4.1 Issued, Subscribed and paid up capital includes 84,96,400 shares of ₹10/- each disinvested by Government of India to Financial Institutions & Mutual Funds. Percentage of Capital

1.12%

1.12%

4.2 The GOI had released a Plan Assistance of ₹2.00 Crore to the Company during March 2007 to meet the Capital Expenditure of HMT Watches Ltd, the wholly owned Subsidiary, in the form of Equity (₹1.00 Crore) & Loan (₹1.00 Crore). In view of the non utilisation of the funds by the Subsidiary within the stipulated period GOI had instructed the company during December 2009 for refund of the total Plan Assistance of ₹2.00 Crore. Accordingly, the Company has refunded the Loan amount

(₹ in Thousands)

Sch. No.	As at 31.03.2011	As at 31.03.2010
-------------	---------------------	---------------------

of ₹1.00 Crore to GOI during February 2010. However, with regard to refund of Equity portion, since the Company has already issued 10,00,000 Equity Shares of ₹10 each (₹1.00 Crore) in favour of President of India during April 2007, as per the terms of GOI sanction, the same could not be carried out, as it would amount to reduction in Share Capital requiring the approval of the Share Holders and completion of other statutory formalities as per the Companies Act, 1956 and applicable rules in this regard, and the same has been communicated to GOI. Further instructions are awaited from GOI on the same.

#### 4.3 Share Application Money

The Government of India while approving the Revival Plan of HMT Machine Tools Ltd (HMT-MTL), a Subsidiary Company, during March 2007, had accorded sanction for cash infusion of ₹443.00 Crores in the form of 3.5% Preference Share Capital which was routed through the Company for investment in the Preference Share Capital in the Subsidiary, to be redeemed after 3 years i.e. 31.3.2010. However shares have not been allotted in favour of President of India pending registration of increase in the Authorised Share Capital with ROC.

As per the Revival Plan sanction, the Preference Share Capital had to be redeemed from out of sale of surplus immovable Properties of HMT-MTL. However, since the title deeds in respect of the identified immovable properties are not mutated in the name of the HMT-MTL, the sale of these properties will have to be approved by the Government as part of the Revival Plans of the Company (HMT Ltd) which is under consideration of the Government. Upon approval of the Government to the Revival Plan, the required funds will be raised through the sale of the immovable properties and the Preference Share Capital will be redeemed. Pending communication from GOI, the Company has continued to disclose the Preference Share Capital as was done in the previous year.

- 5 Bonds Redemption Reserve as required u/s 117C of the Companies Act, 1956 is not made in respect of 3 year HMT Bonds-2001 issued by the Company in the absence of Profit.

#### 6 Deferred Tax Asset/Liability

Accounting for Taxes as per Accounting Standard-22. As the Company is having Deferred Tax Asset for the year and there is no virtual certainty of realisation of the asset in the near future, the Deferred Tax Asset has not been recognised for the year.

#### 7 Inventories include:

Excise Duty paid / payable on Closing Stock of Finished Goods	10,64	7,75
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(₹ in Thousands)

Sch. No.	As at 31.03.2011	As at 31.03.2010
<b>8 Advances Include:</b>		
8.1 Amounts recoverable from employees advances, bonus, etc., pending adjudication /negotiations	25,88	29,42
8.2 Adhoc payments to employees towards Wage/Salary, DA arrears, if any, pending adjustment and provision to this extent has been made in the accounts	10,05,55	10,93,02
<b>9 Current Liabilities</b>		
9.1 Dues to Micro, Small & Medium Enterprises based on the information available with the Company		
a) i) Principal	7,10,49	5,96,94
ii) Interest	1,48,62	88,24
b) Amount of interest paid	-	-
c) Amount of interest accrued and remaining unpaid at the end of each accounting year		
	2007-08	64
	2008-09	31,24
	2009-10	56,36
	2010-11	60,38
9.2 Other Liabilities include unspecified /excess credits in the bank accounts	2,22	4,49
<b>10 Balances under 'Sundry Debtors', 'Loans &amp; Advances', and 'Current Liabilities' are subject to confirmation, although confirmation has been sought in most of the cases.</b>		

(₹ in Thousands)

Sch. No.	Year ended 31.03.2011	Year ended 31.03.2010
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**PROFIT & LOSS ACCOUNT**

<b>11</b>	Sales is net off sales returns in respect of Tractors-30 Nos. (Previous year 22 Nos.) & Spares	<b>1,15,54</b>	83,74
<b>12</b>	<b>Salaries and Wages include</b>		
	12.1 Provision for Earned Leave encashment made based on Actuarial valuation of Earned Leave at credit as at the year end.	<b>3,33,34</b>	2,67,21
	12.2 Provision for Settlement Allowance made based on Actuarial Valuation.	<b>37,61</b>	19,53
<b>13</b>	Gratuity has been provided for/paid under a Group Gratuity Policy with Life Insurance Corporation of India. Additional provision made during the year for full coverage (based on salary at year end) in excess of ₹50,000/- per employee based on actuarial valuation by LIC	<b>16,74,81</b>	3,82,42
<b>14</b>	Value of Special Tools individually costing less than ₹750 written off during the year	<b>1,22,92</b>	1,01,99
<b>15</b>	Revenue expenditure on Research & Development charged to profit & loss account.	<b>2,11,10</b>	1,72,52
<b>16</b>	Previous year's figures have been reclassified wherever necessary to conform to this year's classification		



# NOTES FORMING PART OF PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

Sch. No.	Year ended 31.03.2011	Year ended 31.03.2010
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## 1 CONSUMPTION OF RAW MATERIALS AND COMPONENTS

	Quantity in MT	Value	Quantity in MT	Value
Steel	661	3,32,15	536	3,05,77
Non-ferrous Metals		67	2	52
Ferrous Castings	1933	11,60,09	1605	8,71,84
Non-ferrous Castings	1	3,00	1	2,35
Forgings	1441	7,25,39	1230	6,44,00
Standard parts		1,32,36		71,34
Components		101,64,91		89,84,79
Others		2,33		4,06
		<u>125,20,90</u>		<u>108,84,67</u>

## 2 TURNOVER

	Quantity in Nos.	Value	Quantity in Nos.	Value
Tractors	4920	181,88,80	4901	170,34,89
Food Processing Machines	217	4,49,44	154	4,88,22
Accessories		2,25,85		2,48,55
Sundry Jobs and Miscellaneous Sales		12,21,91		13,92,05
		<u>200,86,00</u>		<u>191,63,71</u>

**NOTES FORMING PART OF PROFIT AND LOSS ACCOUNT**

(₹ in Thousands)

Sch. No.		Year ended 31.03.2011	Year ended 31.03.2010
<b>3</b>	<b>INFORMATION REGARDING IMPORTS, EXPENDITURE AND EARNINGS IN FOREIGN CURRENCY/EXCHANGE AND CONSUMPTION</b>		
(a)	<b>CIF VALUE OF IMPORTS:</b>		
	Raw Materials	20,56	38,69
	Components and Spare Parts	-	-
	Capital Goods	-	-
(b)	<b>EXPENDITURE IN FOREIGN CURRENCY (ON PAYMENT BASIS) ON ACCOUNT OF TRAVELLING EXPENSES</b>	-	1,66
(c)	<b>CONSUMPTION OF RAW MATERIALS, COMPONENTS, STORES &amp; SPARE PARTS</b>		
	Imported	0.2% 28,11	0.3% 37,92
	Indigenous	99.8% 137,07,13	99.7% 120,44,63
(d)	<b>EARNINGS IN FOREIGN EXCHANGE</b>		
	<b>EXPORTS</b>		
	[Routed through the wholly owned Subsidiary, HMT (International) Ltd.]	Nil	Nil
	Others	8,70	5,70

**4. LICENCED CAPACITY, INSTALLED CAPACITY, PRODUCTION  
AND FINISHED STOCK**

Products	Unit	Licenced Capacity	Installed Capacity	Production	Opening Finished Stock	Closing Finished Stock
Tractors	Nos	25000 (25000)	8500 (8500)	4812 (4652)	175 (424)	67 (175)
Food Processing Machines	Nos	650 (650)	295 (295)	247 (152)	5 (7)	35 (5)

1. Figures in Brackets relate to previous year

## DISCLOSURE REQUIRED AS PER ACCOUNTING STANDARD - 15 (REVISED)

The Gratuity has been provided by the Company under a Defined Benefit Plan to cover the eligible employees, the liability being determined on actuarial valuation done by LIC using Projected Unit Credit Method. The Company has taken a Policy under Group Gratuity Scheme with LIC and annual contributions are made to the extent required, to the separate Trust constituted and administered by the Life Insurance Corporation of India under which the coverage is limited to ₹50000/- per eligible employee and the balance is being retained in the books to meet any additional liability accruing thereon.

The actuarial valuation has been made based on the following assumptions:

1	Retirement Age	58 years
2	Future Salary escalation	7% p.a.
3	Rate of discount	8% p.a.
4	Attrition rate	1 to 3% depending on age
5	Mortality rate	LIC (1994-96) Ultimate

The liability for gratuity premium under Group Gratuity Scheme with LIC to the extent of ₹50000/- as on 31-03-2011 is ₹147.02 lakhs. The provision for gratuity as on 31-03-2011 for the balance amount based on the above assumptions for over and above the amount covered under the LIC policy in respect of the Company is ₹4419.85 lakhs

### Defined Benefit Plan

(₹ in Lakhs)

	Gratuity (Funded)	
	2010-11	2009-10
<b>1. Reconciliation of changes in respect of obligations</b>		
Present value of obligation as at beginning of year	698.94	710.28
Interest cost	55.92	56.82
Current Service Cost	1.96	0.88
Benefits Paid	77.99	34.50
Actural (gain)/loss on obligations	32.42	(34.54)
Present value of obligation as at end of year	711.25	698.94
<b>2. Reconciliation of changes in the fair value of plan assets</b>		
Fair value of plan assets of beginning of year	520.76	472.69
Expected return on plan assets	48.46	44.50
Contributions	73.00	38.07
Benefits paid	77.99	34.50
Actual Gain / (Loss) on Plan assets	-	-
Fair value of plan assets at the end of year	564.23	520.76
<b>3. Reconciliation of fair value of plan assets</b>		
Fair value of plan assets at beginning of year	520.76	472.69
Actual return on plan assets	48.46	44.50
Contributions	73.00	38.07
Benefits Paid	77.99	34.50
Fair value of plan assets at the end of year	564.23	520.76
Funded status	147.02	178.18

**DISCLOSURE REQUIRED AS PER ACCOUNTING STANDARD - 15 (REVISED)**

(₹ in Lakhs)

		<b>Gratuity (Funded)</b>	
		<b>2010-11</b>	<b>2009-10</b>
<b>4 Acturial Gain/Loss recognized</b>			
Actuarial gain/(loss) for the year - Obligation		<b>(32.42)</b>	34.54
Actuarial gain/(loss) for the year - plan assets		-	-
Total (gain)/loss for the year		<b>32.42</b>	(34.54)
Actuarial gain/(loss) recognised in the year		<b>(32.42)</b>	34.54
<b>5 Amounts recognised in the Balance Sheet and Profit &amp; Loss A/c</b>			
Present value of obligations as at the end of the year		<b>711.25</b>	698.94
Fair Value of plan assets as at the end of the year		<b>564.23</b>	520.76
Funded Status		<b>147.02</b>	178.18
Net Asset/(liability) recognised in balance sheet		<b>(147.02)</b>	(178.18)
<b>6 Expenses Recognised in statement of Profit &amp; Loss Account</b>			
Current Service Cost		<b>1.96</b>	0.88
Interest Cost		<b>55.92</b>	56.82
Expected return on plan assets		<b>48.46</b>	44.50
Net Actuarial (gain)/loss recognised in the year		<b>32.42</b>	(34.54)
Expenses recognised in statement of Profit & Loss		<b>41.84</b>	(21.34)

**DISCLOSURE REQUIRED AS PER ACCOUNTING STANDARD - 18  
- RELATED PARTIES**

<b>1 Name of the Company</b>	SUDMO HMT Process Engineers (India) Ltd, Bangalore		
<b>2 Nature of Relationship</b>	An Associate Company		
<b>3 Nature of Transaction during the year</b>	(₹ In Thousands)		
	<b>2010-11</b>	<b>2009-10</b>	
Advances given for expenses	<b>2,05</b>	1,90	
Advances reimbursed by the Company	-	-	
<b>4 Outstanding at the year end</b>	<b>6,71</b>	4,66	
- Advance receivable			

## DISCLOSURE REQUIRED AS PER ACCOUNTING STANDARD - 29 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provision in respect of present obligations arising out of past events are made in the Accounts based on reasonable estimates of the obligations. Provision for Warranty is made as per the Accounting Policy. The details of provision for Warranty claims are furnished below:

(₹ in Thousands)		
Opening Balance as on 1.4.2010		1,15,46
Additions during 2010-11		1,42,26
Total		2,57,72
Less: Used during 2010-11		
Utilised	1,08,90	
Withdrawn	6,56	1,15,46
Closing Balance as on 31.3.2011		1,42,26

## EARNINGS PER SHARE (EPS)

	2010-11	2009-10
Profit/(loss) as per Profit & Loss Account (₹ in Thousands)	(79,23,73)	(52,90,53)
Weighted Average number of Equity Shares (in Nos)	760350140	760350140
Basic and Diluted Earning per Share (in ₹)	(1.04)	(0.70)
Nominal Value of Shares (in ₹)	10	10

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011**

(₹ in Lakhs)

	Year ended 31.03.2011	Year ended 31.03.2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) Before Tax and Extra-ordinary Items	(7924)	(5291)
Adjustment for:		
Depreciation	387	392
Profit on Sale of Fixed Assets (net)	(14)	(6)
Amortisation of Special Tools	174	158
Foreign Exchange (net)	-	-
Interest debited (Net)	3871	1968
Dividend received	(14)	(14)
Deferred Revenue Expenditure (Net)	-	29
Bad debts / advances, obsolete material written off	364	-
Provision for slow/non moving inventories, Doubtful debts, Advances and Investments	(235)	499
Operating Profit Before Working Capital Changes	4533	3026
Adjustment for:	(3391)	(2265)
(Increase)/Decrease in Trade & Other Receivables	(493)	646
(Increase)/Decrease in Inventories	166	1156
(Increase)/Decrease in Other Current Assets	(151)	(158)
Increase/(Decrease) in Trade payables	2329	1265
	1851	2909
Cash Generated From Operations	(1540)	644
Deferred Revenue Expenditure	-	-
Direct Taxes paid	-	(4)
<b>CASH FLOW BEFORE EXTRA-ORDINARY ITEMS</b>	(1540)	640
Extra Ordinary Items	-	-
<b>NET CASH FROM OPERATING ACTIVITIES</b>	(1540)	640
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(227)	(327)
Sale proceeds of Fixed Assets	15	7
Sale of Investments	-	15
Dividend Received	14	14
(Payment)/Receipt-Subsidiaries	10481	(483)
Interest Received	8	11
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	10291	(763)

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011**

(₹ in Lakhs)

	Year ended 31.03.2011	Year ended 31.03.2010
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issue of Share Capital	-	-
Proceeds from Long Term/Short Term Borrowings	15216	12055
Repayment of Long Term/Short Term Borrowings	(21626)	(9171)
Exchange Difference (net)	-	-
Interest Paid	(2397)	(3488)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(8807)</b>	<b>(604)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS(56)</b>		<b>(727)</b>
<b>CASH AND CASH EQUIVALENTS AS AT 1ST APRIL</b> (Opening Balance)	<b>439</b>	<b>1166</b>
<b>CASH AND CASH EQUIVALENTS AS AT 31ST MARCH</b> (Closing Balance)	<b>383</b>	<b>439</b>
	<b>(56)</b>	<b>(727)</b>

Note: The above statement has been prepared under the Indirect method as set out in notified AS 3 - Cash Flow Statement

For and on behalf of the Board

As per our Report attached  
For DAGLIYA & CO.  
Chartered Accountants  
F.R.N. 671S

**S.G. Sridhar**  
Director, Operations

**Harbhajan Singh**  
Director

**U. Jagadish Nayak**  
Company Secretary

**P. Manohara Gupta**  
Partner  
M.No.16444

Place : Bangalore  
Date : July 25, 2011

# **ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956**

## **Balance Sheet Abstract and Company's General Business Profile :**

### I Registration Details:

Registration No. 

					7	4	8
--	--	--	--	--	---	---	---

State Code: 

0	8
---	---

Balance Sheet Date 

3	1	-	0	3	-	2	0	1	1
---	---	---	---	---	---	---	---	---	---

  
Date Month Year

### II Capital Raised during the year (Amount in ₹ Thousands)

Public Issue

					N	I	L
--	--	--	--	--	---	---	---

Right Issue

					N	I	L
--	--	--	--	--	---	---	---

Bonus Issue

					N	I	L
--	--	--	--	--	---	---	---

Private Placement

					N	I	L
--	--	--	--	--	---	---	---

### III Position of Mobilisation and Deployment of Funds (Amount in ₹ Thousands)

Total Liabilities

1	8	0	2	0	5	8	9
---	---	---	---	---	---	---	---

Total Assets

1	8	0	2	0	5	8	9
---	---	---	---	---	---	---	---

Paid up Capital

Source of Funds 

7	6	0	3	5	0	1
---	---	---	---	---	---	---

Share Application Money

4	4	3	0	0	0	0
---	---	---	---	---	---	---

Reserves & Surplus

					N	I	L
--	--	--	--	--	---	---	---

Secured Loans

1	4	3	7	1	7	3
---	---	---	---	---	---	---

Unsecured Loans

4	5	4	9	9	1	5
---	---	---	---	---	---	---

Application of Funds

Net Fixed Assets

		3	8	6	7	7	5
--	--	---	---	---	---	---	---

Investments

7	6	5	5	5	8	7
---	---	---	---	---	---	---

Net Current Assets

4	1	2	4	7	6	9
---	---	---	---	---	---	---

Misc. Expenditure

					N	I	L
--	--	--	--	--	---	---	---

Accumulated Losses

5	8	5	3	4	5	8
---	---	---	---	---	---	---

### IV Performance of Company (Amount in ₹ Thousands)

Turnover

2	1	4	3	6	3	8
---	---	---	---	---	---	---

Total Expenditure

2	9	3	6	0	1	1
---	---	---	---	---	---	---

+ - Profit/(Loss) before Tax

(-)	7	9	2	3	7	3
-----	---	---	---	---	---	---

+ - Profit/(Loss) after Tax

(-)	7	9	2	3	7	3
-----	---	---	---	---	---	---

Earnings per Share in Rs.

						(1.04)
--	--	--	--	--	--	--------

Dividend Rate (%)

					N	I	L
--	--	--	--	--	---	---	---

### V Generic Names of Principal Products/Services of the Company (as per monetary items)

Item Code No. (ITC Code) 

	8	7		0	1
--	---	---	--	---	---

Product Description 

Tractor					
---------	--	--	--	--	--

For and on behalf of the Board

**S.G. Sridhar**  
Director, Operations

**Harbhajan Singh**  
Director

**U. Jagadish Nayak**  
Company Secretary

Place : Bangalore  
Date : July 25, 2011



**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES**  
(₹ in Thousands)

1.	Name of The Subsidiary	HMT (International) Ltd	HMT Bearings Ltd	HMT Machine Tools Ltd	HMT Watches Ltd	HMT Chinara Watches Ltd
2	Financial Year of the Subsidiary ended on	31st March 2011	31st March 2011	31st March 2011	31st March 2011	31st March 2011
3	Holding Company's Interest Equity Share Capital	All 7,20,000 Equity Shares (including 6,90,000 Bonus Shares) of ₹10 each fully paid up	3,74,68,586 Equity Shares out of 3,77,09,086 shares of ₹10 each fully paid up	27,65,99,137 Equity shares of ₹10 each fully paid up	64,90,100 Equity Shares of ₹10 each fully paid up	16,60,100 Equity Shares of ₹10 each fully paid up
4	Net aggregate profits or losses for the current financial year since becoming a Subsidiary so far as it concerns the Members of the Holding Company, not dealt with or provided for in the Accounts of the Holding Company	20,78	(21,18,38)	(93,06,33)	(253,73,81)	(45,40,42)
5	Net aggregate profits or losses for the previous financial years since becoming a Subsidiary so far as it concerns the Members of the Holding Company, not dealt with or provided for in the Accounts of the Holding Company	24,76,26	(76,48,17)	(761,11,58)	(1298,89,32)	(343,35,71)
6.	Net aggregate amount received as dividends for previous financial years since becoming a Subsidiary dealt with in the accounts of the Holding Company in the relevant years	2,88,60	5,94,21	Nil	Nil	Nil

For and on behalf of the Board

**S.G. Sridhar**  
Director, Operations

**Harbhajan Singh**  
Director

**U. Jagadish Nayak**  
Company Secretary

Place : Bangalore  
Date : August 12, 2011

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# **CONSOLIDATED FINANCIAL STATEMENTS**



**AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS**

To

The Board of Directors  
HMT Limited, Bangalore

in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, notified by the Companies (Accounting Standards) Rules, 2006.

1. We have audited the attached consolidated Balance Sheet of HMT Limited, Bangalore and its Subsidiaries as at 31st March 2011, and also the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets of ₹448.11 Crores as at 31st March 2011, the total revenues of ₹265.31 Crores and net cash outflows amounting to ₹11.36 Crores for the year ended on that date. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.
4. We report that the consolidated financial statements have been prepared by the company's management
5. Without qualifying our opinion, we invite attention to the following:
  - i. The company has not re-constituted the Audit Committee as required under Section 292 A of The companies Act, 1956, since appointment of independent directors by the Govt of India is pending, as explained to us.
  - ii. The Authorised Share Capital was enhanced from ₹1000 Crores to ₹1450 Crores vide resolution passed at 55th Annual General Meeting of the members of the company held on September 27, 2008, but the company has not notified the Registrar of Companies by filing Form-5 prescribed under the Companies General Rules and Forms.
  - iii. The Accumulated losses of the company have exceeded the net worth of the company and the company has been incurring cash losses for the past few years. However, the accounts of the company have been prepared on the basis of going concern assumption. In our opinion, the going concern concept will hold good depending on the receipt of adequate financial support from Govt of India and/or its bankers to sustain its operations.
  - iv. Following Accounting Policies disclosed in the financial statements either not complete or they are not in line with the Accounting Standards notified under The Companies (Accounting Standards) Rules, 2006:
    - a. **Inventories:** Cost formula used in respect of Finished Goods and Work - in - Progress are not stated.
    - b. **Development & Commissioning:** Charging to revenue over four financial years is not in consonance with AS- 10, AS-26.

c. **Deferred Revenue Expenditure:** Amortisation of Technical Assistance Fee is not in consonance with AS-26.

d Foreign Currency transactions: Recognising exchange Differences on forward contracts to P& L Account are not in consonance with AS-11.

However there is no impact on the financial statements for the year since there are no transactions in the above areas.

6. Five acres of lease hold land with book value of ₹0.03 Crores as at 31<sup>st</sup> March 2011 at Food Processing Unit, Aurangabad has been encroached for which eviction suits filed by the company before Joint Civil Judge, Aurangabad was dismissed vide Court's order dated 20<sup>th</sup> October, 2006 and the company had not preferred any appeal before higher courts. The said land is continued to be shown in the books of the company. Consequently loss for the year is under stated and the fixed assets are overstated by ₹0.03 Crores.

7. A portion of land admeasuring approximately 39 acres is not in possession of the company. As the value of such land included in Fixed Assets is not ascertained, consequential Loss on account of these lands could not be determined.

8. Identification of impaired assets, recognition and measurement of impairment loss as required by AS-28 has not been carried out. Consequential impact on the financial statements is indeterminate.

9. Certain balances under sundry creditors, other liabilities, sundry debtors, loans and advances are subject to confirmation and reconciliation. These balances include certain old balances requiring review and reconciliation. Consequential impact of the same on the loss for the year and current liabilities is not ascertainable.

10. Some of the divisions of HMT Watches Ltd have not disclosed amounts remaining unpaid as at the year-end to vendors under the Micro, Small and medium Enterprises Development Act, 2006 due to non-availability of required information. The company has also not made any provision for the liability towards interest on delayed payment to

vendors in some of the Divisions. The impact of non-provision of such interest on the financial results of the company cannot be quantified.

11. Valuation of work in progress at HMT Watches Ltd is not in accordance with the Accounting Standard-2 as the same is valued at cost instead of at cost or NRV, whichever is lower. Moreover overheads have been recovered on the basis of actual production instead of normal capacity. The impact of such valuation on the financial results cannot be quantified.

12. Interest on excise duty ₹40.11 lakhs has been adjusted against excise duty recoverable CENVAT account at HMT Watches Ltd, which is not permissible as per law. The liability towards default in remitting the above by way of interest, penal interest and/or damages has not been ascertained and provided for in the accounts.

13. One of the Divisions of HMT Watches Limited has not been registered itself with Service Tax Department, although the Service Tax Rules are applicable for labour charges earned during the year. It has neither collected nor paid service tax on the said income. The effect on the loss for the year due to non compliance including interest payable, if any, is not quantifiable.

14. In one of the Divisions of HMT Watches Limited, balances as per Excise Duty & Service Tax Returns have not been reconciled with the books of accounts. Due to non-reconciliation of above records, we are unable to comment on the correctness of the above records and balances lying in related accounts.

15. No provision for diminution in the value of Long Term Investments in APGPCL, which is other than temporary to an extent of ₹1.5 crores has not been made. Consequently loss is under stated and Investments are overstated to that extent.

16. In case of FOR Destination Contracts, HMT Machine Tools Ltd is recognizing its revenue on sales when "LR/GR obtained and endorsed in favour of customer" though the significant risk and rewards is not transferred to buyer. Consequently, the sales which are in transit as on March 31<sup>st</sup> 2011 and whose ownership is still lying with the company are

- recognized as sales for the financial year 2010-11. This resulted in overstatement of sales by ₹376.24 Lakhs and understatement of loss by ₹27.41 Lakhs.
17. No provision has been made (i) towards counter guarantee fee of ₹98.41 Lakhs on the guarantee extended by the Government of India to State Bank of Hyderabad on behalf of the company and (ii) towards penal Interest on unpaid contributions under Employees Family Pension Scheme of ₹349.58 Lakhs in respect of Praga Tools Division. Consequently, loss has been understated by ₹447.99 Lakhs during the year.
18. We draw attention to "Amount withheld towards liquidated damages and interest on advances claimed/ if claimed on delayed supplies". As per the information & explanation provided, these are withheld by the buyers due to delay in supplies in accordance with agreement with the parties. This resulted in overstatement of Sundry Debtors and understatement of loss by ₹516.6 Lakhs.
19. In respect of Pinjore branch of HMT Machine Tools Limited, provident Fund dues aggregating ₹605.84 Lakhs not having remitted to the authorities and the consequent non compliance with the provisions of section 418(4) of Companies Act, 1956 and provision not having been ascertained and made in respect of penalty and damages arising out of non-remittance of Provident Fund dues to the authorities and the consequent effect on the accounts not being ascertainable.
20. We further report that, there is an understatement of Loss in the consolidated financial statements amounting to ₹11.45 Crores in aggregate for the year, after considering the qualifications in respect of HMT Limited audited by us and other Statutory Auditors qualifications in respect of its subsidiaries to the extent quantification is possible and the consolidated loss reported by HMT Group would have been at ₹504.01 Crores (as against the reported loss of ₹492.56 crores).
21. Subject to the comments in paras 6 to 20 above, based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and considering the explanations given to us by the Corporate Office of the Holding Company, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
- a) in the case of the consolidated Balance Sheet, of the state of affairs of the HMT Limited and its Subsidiaries as at 31<sup>st</sup> March 2011;
  - b) in the case of the consolidated Profit and Loss Account, of the consolidated loss of HMT Limited and its Subsidiaries for the year ended on that date; and
  - c) in the case of consolidated Cash Flow Statement, of the Consolidated Cash Flows of HMT Limited and its Subsidiaries for the year ended on that date.

## SIGNIFICANT ACCOUNTING POLICIES FOR CONSOLIDATED FINANCIAL STATEMENTS

### Basis of preparation of financial statements

The financial statements are prepared as of a going concern, under the historical cost convention, on accrual basis of accounting and in accordance with the provisions of the Companies Act, 1956 and comply with the mandatory Accounting Standards prescribed under Companies (Accounting Standards) Rules, 2006, to the extent applicable.

### Fixed Assets

Fixed Assets are stated at cost of acquisition or construction, net of Cenvat credit, less accumulated depreciation to date. Cost includes direct costs and financing costs related to borrowing attributable to acquisition that are capitalized until the assets are ready for use.

Land received free of cost from the State Governments has been nominally valued and incidental expenditure incurred thereon has been capitalized.

Expenditure on development of land is included in the cost of land.

Assets taken on **Finance Lease** are capitalised at fair value / NPV / contracted price. Depreciation on the same is charged at the rate applicable to similar type of fixed assets as per Accounting Policy on "Depreciation". If the lease assets are returnable to the lessor on expiry of lease period, the same is depreciated over its useful life or lease period, whichever is shorter.

Lease payments made are apportioned between finance charges and reduction of outstanding liability in relation to assets taken on lease.

Lease payments made for assets taken on **Operating Lease** are recognised as expense over the lease period.

Expenditure incurred on **Reconditioning** of plant, machinery and equipment which increases the future benefits from the existing asset beyond its previously assessed standard of performance is included in the Gross Book Value which results in:

- (a) Modification of an item of plant to extend its useful life, including increase in its capacity;

- (b) Upgrading machine parts to achieve a substantial improvement in the quality of out-put; and
- (c) Adoption of new production processes enabling a substantial reduction in previously assessed operating costs.

The cost of an addition or extension to an existing asset which is of a capital nature and which becomes an integral part of the existing asset is added to its gross block value.

The expenditure on **Reconditioning** of plant, machinery & equipment which do not increase the future benefits from the existing asset beyond the previously assessed standard of the performance based on the technical assessment, is charged off to Revenue.

Items of Capital Assets with WDV of ₹1 lakh and above, which have been retired from active use, are disclosed at lower of book value or net realizable value and shown separately in the Fixed Assets Schedule.

### Depreciation

Depreciation on fixed assets is provided on straight-line method, at the rates prescribed in Schedule XIV to the Companies Act, 1956, pro-rata with reference to the date of addition or deletion. As and when assets gets fully depreciated, ₹1/- is retained as book value of the asset. Assets costing less than ₹5000/- per asset which is written off to ₹1/- in the year of purchase.

Depreciation on fixed assets is calculated on a pro-rata basis from the date of such addition or as the case may be up to the date on which such asset is sold, discarded or destroyed.

Premium for leasehold land is amortized equally over the period of lease.

### Investments

Investments are either classified as current or long-term. Current investments are carried at lower of cost and fair value. Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment. Gain or loss is recognized in the year of sale.

Investments in ventures outside India are stated at the Rupee cost as on the date of investment.



**Inventories**

Inventories are valued at the lower of cost and net realizable value. The cost of materials is ascertained by adopting Weighted Average Cost Method.

In respect of Long Term Contracts at cost plus proportionate profits. The proportion of profits included is a percentage of the estimated profits of the contract apportioned in the ratio of value of work done or certified to the total value of the contract.

**Development & Commissioning**

In respect of new projects, the pre-production revenue expenditure (including depreciation) is collated under the head "Development and Commissioning Expenditure" and charged to revenue over four financial years as follows:

- (a) In the year of commencement of commercial production, one-fourth of the development and commissioning expenditure on a pro-rata basis for the period of production in that year: and
- (b) The balance equally over the next three financial years immediately following.

**Deferred Revenue Expenditure**

Technical Assistance fees (including fees for technical documentation and exchange fluctuation difference) paid/ payable under foreign collaboration agreements are amortized equally over the duration/balance duration of the relevant agreement.

Gratuity, Earned Leave encashment, Settlement Allowance and Lump sum Compensation paid to employees under Voluntary Retirement Scheme shall be fully written off in the year of disbursement.

Expenses incurred in respect of Bonds issued for raising funds to meet payments made under the Voluntary Retirement Scheme are fully written off in the year of disbursement.

One time installation charges in respect of hired computers are amortised equally over the initial hire period.

**Revenue recognition**

Sales are set up based on:

Physical delivery of goods to the customer / customer's carrier /common carrier, duly supported by invoice, excise duty paid challan, gate pass, delivery voucher and LR / GR, in case of ex-works contracts.

LR/GR obtained and endorsed in favour of customer (consignee 'self'), in case of FOR destination contracts.

Dispatches to dealers/customers in respect of Tractors, Machines, Watches and Bearings.

Sales include Excise Duty but are net of trade discount and exclude sales tax.

Income in respect of consultancy agreements/contracts is accounted, based on the ratio of work completed each year to the total value of the agreements/ contracts.

**Foreign currency transactions**

Transactions in foreign currency are recorded at the exchange rate(s) prevailing on the date of transaction or at the forward contract rate(s) wherever applicable. Current assets and liabilities are restated at the rates prevailing at the yearend or at the forward contract rate(s) wherever applicable, and the difference is recognized as income or expenditure in the profit and loss account.

Exchange difference arising on restatement of liabilities in foreign currency relating to fixed assets is recognized as Income or Expenditure in the statement of Profit & Loss account.

The transactions and balances of foreign branches offices and projects are translated to Indian Rupees as under:

**Fixed Assets:** Assets acquired prior to 31.03.1991 are retained at the book value stated on that date. Assets acquired after 31.03.1991 in the foreign branches and projects are accounted at the applicable rate of exchange on the date of the acquisition.

**Inventories:** Opening and Closing Inventories are accounted at the respective opening and closing exchange rate.

**Other Assets:** Assets other than above, liabilities, expenditure and income are translated at the closing rate of exchange.

The net exchange difference resulting from the translation of items in the financial statements of the foreign branches/offices/projects is recognized in the revenue.

### **Borrowing costs**

Borrowing costs are charged to revenue except those which are incurred on acquisition or construction of a qualifying asset that necessarily takes substantial time to be ready and until intended use of the said asset, such costs are capitalized.

### **Employee Benefits**

Provident Fund is provided for, under a defined benefit scheme. The contributions are made to the Trust administered by the company.

Leave encashment is provided for under a defined benefit scheme based on actuarial valuation.

Gratuity is provided for, under a defined benefit scheme, to cover the eligible employees, liability being determined on actuarial valuation. Annual contributions are made, to the extent required, to a trust constituted and administered by the Life Insurance Corporation of India under which the coverage is limited to ₹50,000/- per eligible employee. The balance provision is being retained in the books to meet any additional liability accruing thereon for payment of Gratuity.

Settlement allowance is provided for, under a defined benefit scheme, to cover the eligible employees, liability being determined on actuarial valuation.

Pension is provided for under a defined benefit scheme, contributions are made to the Pension Fund administered by the Government.

### **Warranty**

Warranty provision for contractual obligations in respect of Machines, Tractors, Watches and Bearings sold is set up based on the past experience and is provided in the year of sale except for goods exported by the Company.

### **Special Tools**

Expenditure on manufactured and bought out special tools are amortized equally over a five year period or

earlier, if scrapped. Individual items costing less than ₹750/- are written off fully in the initial year of acquisition / manufacture.

### **Research and Development Costs**

Revenue expenditure is charged to profit and loss account under natural heads. Capital expenditure is recorded as addition to fixed assets and depreciated over the estimated life of the related assets.

Prototypes developed are carried as items of inventory at the lower of cost or net realizable value until sale/transfer/scraping. Prototypes remaining undisposed of for a period of five financial years are provisioned for obsolescence in the sixth year.

Contribution to sponsored Research and Development are amortised equally over the duration/balance duration of the programme.

### **Income Tax**

Taxes are determined following the tax effect accounting method and a provision there for is recognized. A deferred tax asset or deferred tax liability is recorded to recognize the tax effect on timing differences arising on reconciliation of profit/loss as per financial statements and profit/loss as per taxation.

### **Earnings per share**

Basic earnings per share is determined by considering the net profit after tax, inclusive of the post tax effect on extraordinary items, if any, and the number of shares outstanding on a weighted average basis.

### **Others**

The amount of ₹50000/- per head received/receivable from LIC on account of gratuity claims in respect of employees separated under Voluntary Retirement Scheme during the year is accounted as Other Income.

In respect of employees who are separated other than under Voluntary Retirement Scheme, the Gratuity paid in excess of ₹50000/-, Earned Leave Encashment (ELE), Settlement Allowance (SA) is debited to the respective provision accounts. The provision at the year end for ELE and SA is restated as per the actuarial valuation done at the year-end. In case of ELE and SA, any short or excess provision is charged as expenditure or treated as provision no longer required.

**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2011**

(₹ in Thousands)

	Sch. No.	As at 31.03.2011	As at 31.03.2010
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Capital	1.1	760,35,01	760,35,01
Share Application Money	1.2	443,00,00	443,00,00
<b>RESERVES AND SURPLUS</b>	1.3	22,70,82	22,70,82
<b>LOAN FUNDS</b>			
Secured Loans	2.1	213,02,51	300,84,99
Unsecured Loans	2.2	1776,24,29	1330,38,11
		<u>1989,26,80</u>	<u>1631,23,10</u>
		<u>3215,32,63</u>	<u>2857,28,93</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	3.1	704,31,58	689,42,94
Less: Depreciation		<u>558,56,12</u>	<u>545,52,76</u>
Net Block		145,75,46	143,90,18
Capital Work-in-Progress		70,59	64,36
Machinery and Equipment in transit and under inspection/erection		5,28,36	11,05,49
<b>INVESTMENTS</b>	4.1	2,32,08	2,32,08
<b>DEFERRED TAX (NET)</b>	7.1	(1,13,54)	(1,10,89)
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	5.1	149,29,82	167,62,02
Sundry Debtors	5.2	132,24,55	143,70,53
Cash and Bank Balances	5.3	76,45,86	88,38,31
Other Current Assets	5.4	3,13,75	3,36,44
Loans and Advances	5.5	80,72,00	81,34,53
		<u>441,85,98</u>	<u>484,41,83</u>
<b>Less: CURRENT LIABILITIES AND PROVISIONS</b>			
Current Liabilities	6.1	530,67,66	461,36,85
Provisions	6.2	306,28,57	287,36,93
		<u>836,96,23</u>	<u>748,73,78</u>
Net Current Assets		(395,10,25)	(264,31,95)
<b>MISCELLANEOUS EXPENDITURE</b> (to the extent not written off or adjusted)	7.2	3,67	5,79
<b>PROFIT AND LOSS ACCOUNT</b>	7.3	3457,46,26	2964,73,87
		<u>3215,32,63</u>	<u>2857,28,93</u>
<b>NOTES</b>	11.1		
Accounting Policies form part of the Accounts			

For and on behalf of the Board

As per our Report attached  
For DAGLIYA & CO.  
Chartered Accountants  
F.R.N. 671S

S.G. Sridhar  
Director, Operations

Harbhajan Singh  
Director

U. Jagadish Nayak  
Company Secretary

P. Manohara Gupta  
Partner  
M.No.16444

Place : Bangalore  
Date : 12-08-2011

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

(₹ in Thousands)

	Sch. No.	Year ended 31.03.2011	Year ended 31.03.2010
<b>EARNINGS</b>			
Sales (Gross)	8.1	449,03,18	425,31,09
Less: Excise Duty		21,73,26	18,62,77
Net Sales		427,29,92	406,68,32
Transfer to Plant		-	11,16,86
Other Income	8.3	41,37,42	44,56,70
Accretion/(Decretion) to Finished Stock, Work-in-Progress and Scrap	8.4	(17,04,33)	(30,12,54)
		<u>451,63,01</u>	<u>432,29,34</u>
<b>Less: OUTGOINGS</b>			
Materials	9.1	228,78,21	211,87,60
Personnel	9.2	310,70,80	261,00,58
Depreciation	3.1	15,42,68	13,65,31
Other Expenses	9.3	91,18,31	94,86,43
Interest	9.4	217,71,49	173,26,16
VRS Compensation		78,07,18	13,08,67
Less: Jobs done for internal use	8.2	(3,65,99)	(8,44,66)
		<u>938,22,68</u>	<u>759,30,09</u>
Profit/(Loss) before adjustment of PPA & EOI		(486,59,67)	(327,00,75)
Less: Prior Period Adjustments (PPA)	9.5	5,85,20	1,33,98
<b>Profit/(Loss) Before Tax</b>		<b>(492,44,87)</b>	<b>(328,34,73)</b>
Less: Tax Provision		8,00	1,28,00
Less: Deferred tax	9.7	2,65	1,86
<b>Profit/(Loss) After Tax</b>		<b>(492,55,52)</b>	<b>(329,64,59)</b>
Reserves withdrawn	10.1	-	68
		<u>(492,55,52)</u>	<u>(329,63,91)</u>
Less: Transfer to General Reserve		5,00	2,50,00
Balance Carried to Balance sheet		<u>(492,60,52)</u>	<u>(332,13,91)</u>
Basic/Diluted Earnings Per Share of ₹10/- each (in Rupees)		(6.48)	(4.34)
No. of Equity Shares (Weighted Average Basis)		760350140	760350140

**NOTES**

11.1

Accounting Policies form part of the Accounts

For and on behalf of the Board

As per our Report attached  
For DAGLIYA & CO.  
Chartered Accountants  
F.R.N. 671S

S.G. Sridhar  
Director, Operations

Harbhajan Singh  
Director

U. Jagadish Nayak  
Company Secretary

P. Manohara Gupta  
Partner  
M.No.16444

Place : Bangalore  
Date : 12-08-2011

## SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

Sch. No.	As at 31.03.2011	As at 31.03.2010
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### 1.1 SHARE CAPITAL

#### AUTHORISED

1,00,00,00,000 (Previous year 1,00,00,00,000) Equity Shares of ₹10/- each	1000,00,00	1000,00,00
4,50,00,000 (Previous year 4,50,00,000) Preference Shares of ₹100/- each	450,00,00	450,00,00
	<b>1450,00,00</b>	<b>1450,00,00</b>

#### ISSUED, SUBSCRIBED AND PAID-UP

76,03,50,140 (Prev. year 76,03,50,140 ) Equity Shares of ₹10/- each fully paid-up (of the above 3,18,85,900 [Prev. year 3,18,85,900 shares] are allotted as fully paid-up for consideration other than cash)	760,35,01	760,35,01
	<b>760,35,01</b>	<b>760,35,01</b>

### 1.2 SHARE APPLICATION MONEY

Towards 3.5% Redeemable Preference Share Capital under Revival Plan of HMT Machine Tools Ltd, a Subsidiary Company, approved by Govt. of India	443,00,00	443,00,00
	<b>443,00,00</b>	<b>443,00,00</b>

### 1.3 RESERVES AND SURPLUS

Capital Reserve	22,70,82	22,70,82
-----------------	----------	----------

Differential amount in the face value of Equity Shares held by Government of Andhra Pradesh and Government of India in the erstwhile Praga Tools Ltd, which is merged with HMT Machine Tools Ltd and the consideration of ₹1/- to be paid to each of them as per the scheme of Merger sanctioned by BIFR.

#### PROFIT AND LOSS ACCOUNT

	As at 01.04.2010	Withdrawals	Additions	As at 31.03.2011
General Reserve	159,96,97	-	5,00	160,01,97
Profit and Loss Account (Ref. Sch. 7.3)	159,96,97	-	5,00	160,01,97
	-	-	-	-

### 2.1 SECURED LOANS

#### 3 YEAR BONDS 2001

Non Convertible Bonds with varying rates of interest @ 10% & 12% redeemable at par, the earliest date of redemption being 01.06.2004 secured by assets of the Company located at Pinjore and assets of Machine Tools Ltd., a Subsidiary Company, located at Ajmer. Trust Deed in favour of the bond holders is pending execution.

	60,50,00	60,50,00
Interest Accrued and Due	17,30,75	18,06,43

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET**

(₹ in Thousands)

Sch. No.	As at 31.03.2011	As at 31.03.2010
<b>BONDS 2002</b>		
Application Money received against issue of privately placed secured Non-Convertible Bonds (Secured by Residual Charge on immovable assets of the Company and Corporate Guarantee by HMT Ltd)	85,00	85,00
Interest Accrued and Due	62,18	52,06
<b>8 YEAR 8.5% HMT BONDS 2002 - Guaranteed by Central Government</b>		
Non Convertible Bonds redeemable at par, the date of redemption due on 27-11-2010, secured by registered mortgage of the immovable property of the Company in the State of Maharashtra in favour of UCO Bank, the Trustees, vide Trust Deed dated 22-7-2003	-	122,28,00
Interest Accrued and Due	5,19,69	-
<b>FROM BANKS</b>		
Cash Credit from Bank secured by hypothecation of Inventories and Sundry Debtors by first charge ranking 'pari passu' inter-se the participating banks & secured by mortgage of Company's Immoveable property.	103,25,73	75,72,23
Short Term Loans secured by hypothecation of inventories and sundry debtors by first charge and collateral security by way of equitable mortgage by deposit of title deed of immovable property of the Company ranking pari passu inter-se the participating banks and against term deposit with bank.	25,07,15	22,71,34
Interest Accrued and Due	22,01	19,93
	<b>213,02,51</b>	<b>300,84,99</b>
<b>2.2 UNSECURED LOANS</b>		
Short Term Loan from Bank Guaranteed by Central Government	-	93,98,00
5 Year Bonds - 1999-2000	50,00	50,00
Interest Accrued and Due	22,17	22,17
Short Term Loan from Banks	8,44,27	5,85,61
Loans from Govt. of India	1185,48,91	810,11,06
Interest Accrued and Due	581,58,94	419,71,27
	<b>1776,24,29</b>	<b>1330,38,11</b>

### 3.1 FIXED ASSETS

(₹ in Thousands)

Particulars	Gross Block at cost as at 1.4.2010	Additions	Deductions	Gross Block at cost as at 31.3.2011	Depreciation as at 1.4.2010	Deductions/ Adjustments	Depreciation during the year*	Total Depreciation as at 31.3.2011	Net Block as at 31.3.2011	Net Block as at 1.4.2010
Land & Land Development	7,10,66	8,59	59,35	6,59,90	-	-	-	-	6,59,90	7,10,66
Land-Leasehold	27,05	-	16	26,89	7,74	2	30	8,06	18,83	19,31
Buildings	68,17,59	31,39	17	68,48,81	43,55,75	(2)	1,02,32	44,58,05	23,90,76	24,61,84
Plant and machinery	590,78,61	16,52,44	1,78,21	605,52,84	481,40,74	(1,71,33)	13,90,95	493,60,36	111,92,48	109,37,87
Furniture, Fittings & Office Appliances	20,03,21	1,04,07	35,49	20,71,79	17,74,52	(33,74)	43,16	17,83,94	2,87,85	2,28,69
Transport Vehicles	3,05,82	-	34,47	2,71,35	2,74,01	(34,25)	5,95	2,45,71	25,64	31,81
<b>Total</b>	<b>689,42,94</b>	<b>17,96,49</b>	<b>3,07,85</b>	<b>704,31,58</b>	<b>545,52,76</b>	<b>(2,39,32)</b>	<b>15,42,68</b>	<b>558,56,12</b>	<b>145,75,46</b>	<b>143,90,18</b>
Previous year	657,23,90	33,39,02	1,19,98	689,42,94	532,57,49	(70,04)	13,65,31	545,52,76	143,90,18	

\* Quantum of loss dues to "Impairment of Assets" as per AS-28 - NIL

#### LAND

1 The Company is in possession of gift land located at Bangalore, Pinjore, Kalamassery, Hyderabad measuring 267.49 acres, 839.40 acres, 378.85 acres, 888.05 acres, nominally valued at ₹1/-, gifted by the respective State Governments of which 7 acres of land has been encroached upon and the matter has been taken up with the Govt. of Karnataka to shift the unauthorised occupants.

2 The Company is in possession of leasehold land measuring 30 acres at Aurangabad of which 5 acres of land has been encroached upon for which an eviction suit had been filed and the same has been dismissed by the Ill Joint Civil Judge (Senior Division), Aurangabad, vide order dated 20th October 2006. Hence the Company is pursuing with CIDCO for restoration of the unauthorised occupation.

3 Out of 888.05 acres of land at Hyderabad, Land measuring 28.40 acres was leased to Government Departments at Hyderabad. Pending registration of transfer the Company has agreed to release 14.20 acres of land in exchange for 14.20 acres of land under an exchange agreement with a State Public Sector Undertaking. The Company has also leased 1000 sq. yard of land for which lease deed was executed and agreed to release another two acres to AP Postal Department in Hyderabad, the execution of which is pending. The Company has secured stay from the Andhra Pradesh High Court, against repossession of 106 acres and 35 guntas of land by the Government of Andhra Pradesh. In the absence of finality being reached on the proposal for surrender of 300 acres of land owned by the Company at Hyderabad, to the Government of Andhra Pradesh in lieu of payment of part sale consideration and issue of marketable title for the balance land.

4 Out of 839.40 acres of land at Pinjore, Haryana Government has issued an order for resumption of 446 acres of unutilised land. The Company has obtained stay from the Hon'ble High Court of Punjab & Haryana against the said resumption order and the same is continuing. The Company has agreed to transfer about 4.98 acres of land alongwith certain structures thereon to Haryana Irrigation department at their request for the purpose of setting up of a Dam across Kaushalya River and the agreed compensation of ₹81.02 lakhs for the same is yet to be received.

5 Pending finalisation of the rates by the Government of Rajasthan, provision for conversion charges, if any, payable for conversion of Revenue land for Industrial use at Machine Tool Unit Ajmer, has not been made in the accounts as the matter is sub-judice and execution of lease deed is pending. However, provision has been made for estimated liability for lease rent.

6 Land admeasuring 2.71 acres has been leased out to the Kerala Electricity Board and Postal authorities in Kalamassery.

7 In the matter relating to 195 acres and 33 guntas land handed over to Machine Tools Ltd (Praga Tools Division) by the Govt. of Andhra Pradesh in 1962-63, an amount of ₹58,06,044 has been deposited by Machine Tools Ltd in the City Civil Court towards the value of land (including interest @ 6% p.a. with effect from 21-04-1982 to 21-08-2001) and the same has been allowed to be withdrawn by the Hon'ble Court. Accordingly Hon'ble Court has passed an order allowing free decree holder (Smt. Mahabob Unissa Begum) to withdraw the above amount. Writ Petition No.20012 of 2003 has been filed on the file of Hon'ble High Court of AP against the Govt of Andhra Pradesh and others wherein the company has sought directions for demarking 195.33 acres of land for handing over the same to Machine Tools Ltd. During recently conducted survey by Machine Tools Ltd, it has come to the notice that approx 39 acres of land is not in the actual possession but payment for entire 195.33 acres of land has been made to the decree holders. Out of the above land, 6000 sq.mts of land is allotted to APSEB for setting up to 33 KV Switching Station and 33/11 KV Electrical sub station. The compensation payable by APSEB is not yet been determined. GHMC issued a notice vide notice No.41786/RW/TPS/GHMC/SC/2007 dated 01-12-2007 to take over 238.86 sq. yards of land for road widening programme under taken by them out of the 3000 sq. yards available at Kavadiyuguda. Secunderabad without any compensation. Machine Tools Ltd had protested for this and raised a demand for compensation for the land proposed to be taken over by them for road widening programme at prevailing market rate which is pending.

#### PLANT AND MACHINERY

8 In respect of Machine Tools Ltd, Plant & Machinery includes 17 items of Fixed Assets identified as obsolete and for disposal, the net book value of which is ₹15,52,490/-. Further though Forge & Foundry division was closed, depreciation of ₹3,13,713/- is provided during the year.

# SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

Sch. No.	As at 31.03.2011	As at 31.03.2010
<b>4.1 INVESTMENTS</b>		
<b>[LONG TERM – AT COST]</b>		
<b>INVESTMENTS IN GOVERNMENT SECURITIES (UNQUOTED)</b>	-	-
<b>TRADE INVESTMENTS (QUOTED)</b>	-	-
<b>OTHER INVESTMENTS (UNQUOTED)</b>	-	-
30,00,000 (Previous year 30,00,000) Ordinary Shares of Naira 1 each fully paid up in Nigeria Machine Tools Ltd, Nigeria	1,71,55	1,71,55
20,84,050 (Previous year 20,84,050) Equity Shares of ₹1/- each fully paid up in Gujarat State Machine Tools Corporation Limited, Bhavnagar	20,84	20,84
2,94,800 (Previous year 2,94,800) Equity Shares of ₹10/- each (of which 1,34,000 [Prev. year 1,34,000] Shares at a premium of ₹140/- each) fully paid up in Andhra Pradesh Gas Power Corporation Limited, Hyderabad	2,17,08	2,17,08
1,50,000 (Previous year 1,50,000) Equity Shares of ₹10/- each fully paid up in Sudmo HMT Process Engineers (India) Ltd., Bangalore	15,00	15,00
	<u>4,24,47</u>	<u>4,24,47</u>
Less: Provision for diminution in value of Investments		
Nigeria Machine Tools, Nigeria	1,71,55	1,71,55
Gujarat State Machine Tools Corporation Ltd, Bhavnagar	20,84	20,84
	<u>1,92,39</u>	<u>1,92,39</u>
	<u>2,32,08</u>	<u>2,32,08</u>



**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET**

(₹ in Thousands)

Sch. No.	As at 31.03.2011	As at 31.03.2010
<b>5.1 INVENTORIES*</b>		
Stores and Spare Parts	18,88,82	20,10,08
Tools and Instruments	9,56,09	9,82,47
Raw Materials and Components	43,73,35	45,13,82
Materials & Components in transit (including receipts pending inspection and acceptance)	2,59,80	3,32,93
Finished Stock	48,50,80	62,94,13
Work-in-Progress	74,73,77	77,94,28
Scrap	2,13,31	1,53,80
	<u>200,15,94</u>	<u>220,81,51</u>
Less: Provision for non/slow moving inventories	50,86,12	53,19,49
	<u>149,29,82</u>	<u>167,62,02</u>
*Includes stock with C&F Agents/Contractors		
Ancillary units/Customs/in Bonds/on Loan/at site	9,61,84	9,86,04
<b>5.2 SUNDRY DEBTORS *</b>		
<b>UNSECURED</b>		
Debts outstanding for a period exceeding six months		
Considered good	39,76,01	53,23,65
Considered doubtful	167,54,56	150,95,52
Other Debts:		
Considered good	92,48,54	90,46,88
	<u>299,79,11</u>	<u>294,66,05</u>
Less: Provision for Doubtful debts	167,54,56	150,95,52
	<u>132,24,55</u>	<u>143,70,53</u>
*Debts due by firms or Private Companies in which any Director is a partner or a director or a member	-	-
<b>5.3 CASH AND BANK BALANCES</b>		
Cash and Cheques on hand and in transit	1,19,00	4,72,03
With Scheduled Banks in Current Account	8,52,31	20,72,51
With Scheduled Banks in Deposit Account	66,73,34	62,92,56
With Post Offices in Savings Bank Accounts*	1,21	1,21
	<u>76,45,86</u>	<u>88,38,31</u>

\*Pass Books deposited with Central Excise Authorities

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET**

(₹ in Thousands)

Sch. No.	As at 31.03.2011	As at 31.03.2010
<b>5.4 OTHER CURRENT ASSETS</b>		
Special Tools	3,13,75	3,36,44
	<u>3,13,75</u>	<u>3,36,44</u>
<b>5.5 LOANS AND ADVANCES*</b>		
<b>SECURED CONSIDERED GOOD:</b>		
Advances	19,77	40,56
	<u>19,77</u>	<u>40,56</u>
<b>UNSECURED CONSIDERED GOOD</b>		
<b>ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED</b>		
<b>UNSECURED</b>		
Considered Good		
For Capital Expenditure	2,42,40	44,89
Others	63,95,69	67,28,43
Considered Doubtful		
For Capital Expenditure	7,26	7,26
Others	9,71,90	9,79,08
	<u>76,17,25</u>	<u>77,59,66</u>
Less: Provision for doubtful advances		
For Capital Expenditure	7,26	7,26
Others	9,71,90	9,79,08
	<u>66,38,09</u>	<u>67,73,32</u>
<b>OTHER ADVANCES</b>		
<b>UNSECURED CONSIDERED GOOD</b>		
Balance with Collectors of Customs, Central Excise, etc.,	75,57	60,71
Deposits	9,29,99	9,15,82
Advance Income Tax	3,46,02	1,62,04
Advance Fringe Benefit Tax	62,56	1,82,08
	<u>14,14,14</u>	<u>13,20,65</u>
	<u>80,72,00</u>	<u>81,34,53</u>

\*Includes advances due from Directors and Officers of the Company

Maximum amount due at any time during the year

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET**

(₹ in Thousands)

Sch. No.	As at 31.03.2011	As at 31.03.2010
<b>6.1 CURRENT LIABILITIES</b>		
Acceptances	3,43,11	15,49,60
Sundry Creditors		
Dues to Micro and Small Enterprises	9,47,23	7,91,39
Other Dues	171,26,31	157,48,54
Advances received against sales	34,78,79	40,70,08
Other Liabilities	191,54,91	144,55,13
Interest accrued but not due on Loans	120,17,31	95,22,11
	<u>530,67,66</u>	<u>461,36,85</u>
<b>6.2 PROVISIONS</b>		
Taxation	2,36,60	3,50,60
Contingencies	6,68,94	6,99,87
Gratuity	175,04,41	144,75,56
Other Provisions	122,18,62	132,10,90
	<u>306,28,57</u>	<u>287,36,93</u>
<b>7.1 DEFERRED TAX (NET)</b>		
Deferred Tax Asset	-	-
Deferred Tax Liability	(1,13,54)	(1,10,89)
	<u>(1,13,54)</u>	<u>(1,10,89)</u>
<b>7.2 MISCELLANEOUS EXPENDITURE</b> (to the extent not written off or adjusted)		
Technical Assistance Fee	3,67	5,79
	<u>3,67</u>	<u>5,79</u>
<b>7.3 PROFIT AND LOSS ACCOUNT</b>		
Opening Balance	3124,70,84	2792,40,06
Add: (Profit) / Loss for the year	492,60,52	332,13,91
Less: Adjustment of Dividend from Subsidiary	16,87	16,87
Closing Balance	3617,48,23	3124,70,84
Less: General Reserve (Ref: Sch. 1.3)	160,01,97	159,96,97
	<u>3457,46,26</u>	<u>2964,73,87</u>

**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT**

(₹ in Thousands)

Sch. No.	Year ended 31.03.2011	Year ended 31.03.2010
<b>8.1 SALES</b>		
<b>INLAND *</b>		
<b>MACHINE TOOLS</b>		
Machine Tools	168,04,46	153,97,16
Accessories	16,31,02	19,77,17
Sundry jobs and miscellaneous sales	23,61,83	23,74,86
Packing/forwarding charges	1,04,98	95,64
	<u>209,02,29</u>	<u>198,44,83</u>
<b>WATCHES</b>		
Watches	7,57,37	8,99,51
Watches issued to employees/others	9	6,44
Sundry jobs and miscellaneous sales	88,88	1,22,84
Packing/forwarding charges	45,72	98,00
	<u>8,92,06</u>	<u>11,26,79</u>
<b>BEARINGS</b>		
Ball & Roller Bearings	11,48,32	6,84,01
	<u>11,48,32</u>	<u>6,84,01</u>
<b>TRACTORS &amp; OTHERS</b>		
Tractors	181,88,80	170,21,73
Food Processing Machinery	4,49,44	4,88,22
Accessories	2,25,85	2,48,56
Sundry jobs and miscellaneous sales	12,15,06	13,99,32
Packing/forwarding charges	6,85	5,88
	<u>200,86,00</u>	<u>191,63,71</u>
<b>EXPORTS</b>		
Sales & Commission	7,02,26	2,67,27
Technical Services	37,49	1,79,73
Project Works	11,34,76	12,64,75
	<u>18,74,51</u>	<u>17,11,75</u>
	<u>449,03,18</u>	<u>425,31,09</u>
* Includes Excise Duty	21,73,26	18,62,77
* Nett Of Trade Discount		
<b>8.2 JOBS DONE FOR INTERNAL USE</b>		
Capital Works	1,30,13	2,91,97
Shop manufactured Special Tools	2,35,86	5,52,69
	<u>3,65,99</u>	<u>8,44,66</u>

**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT**

(₹ in Thousands)

Sch. No.	Year ended 31.03.2011	Year ended 31.03.2010
<b>8.3 OTHER INCOME</b>		
Servicing Income	1,76,50	1,97,75
Stores issued to contractors and ancillaries	51	5
Recoveries from Staff/Others	4,69,06	4,92,54
Royalties	5,05	6,61
Rent received	2,93,31	1,59,69
Profit on sale of assets	76,71	46,56
Profit on Exchange Fluctuation	21,83	22,78
Grant received from GOI	34,06	1,16,26
Dividend from Subsidiaries	14,40	14,40
Provisions withdrawn:		
Interest	-	9,09,51
Others	15,07,33	16,26,24
Guarantee Fee Subsidy received from GOI	-	1,22,00
Miscellaneous Income	15,38,66	7,42,31
	<u>41,37,42</u>	<u>44,56,70</u>
<b>8.4 ACCRETION/(DECRETION) TO WORK-IN-PROGRESS, FINISHED STOCK AND SCRAP</b>		
<b>WORK IN PROGRESS</b>		
Closing Balance	74,73,77	77,94,28
Opening Balance	77,94,28	89,56,59
	<u>(3,20,51)</u>	<u>(11,62,31)</u>
<b>FINISHED STOCK</b>		
Closing Balance	48,50,89	62,94,13
Opening Balance	62,94,13	81,73,63
	<u>(14,43,33)</u>	<u>(18,79,50)</u>
<b>SCRAP</b>		
Closing Balance	2,13,31	1,53,80
Opening Balance	1,53,80	1,24,53
	<u>59,51</u>	<u>29,27</u>
	<u>(17,04,33)</u>	<u>(30,12,54)</u>

**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT**

(₹ in Thousands)

Sch. No.	Year ended 31.03.2011	Year ended 31.03.2010
<b>9.1 MATERIALS</b>		
Raw materials and Components		
Opening Stock	45,13,82	50,68,70
Purchases	185,56,97	161,97,91
	<b>230,70,79</b>	212,66,61
Less: Closing Stock	43,73,35	45,13,82
Consumption of Raw Materials and Components	186,97,44	167,52,79
Consumption of Stores, Spares, Tools & Pkg. Matls. **	41,80,77	44,34,81
	<b>228,78,21</b>	211,87,60
<b>**Includes Stores and Spare parts for:</b>		
Repairs to Buildings	6,05	3,42
Repairs to Machinery	51,78	55,02
<b>9.2 PERSONNEL*</b>		
Salaries, Wages and Bonus	194,25,58	188,27,44
House Rent Allowance	8,05,81	8,98,80
Gratuity	58,60,67	14,69,80
Contribution to PF & FPS	20,47,28	20,61,33
Deposit Linked Insurance	44,00	28,68
Contribution to ESI	2,43	3,96
Welfare Expenses	28,85,03	28,10,57
	<b>310,70,80</b>	261,00,58
<b>* Includes</b>		
Wages for repairs to Buildings	1,05,30	1,04,10
Wages for repairs to machinery	9,35,93	7,25,27
Payments relating to Directors (including Chairman & Managing Director)		
Salaries	25,85	29,28
Provident Fund	2,43	2,70
Gratuity	3,87	1,70
Welfare	1,71	4,00

**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT**

(₹ in Thousands)

Sch. No.	Year ended 31.03.2011	Year ended 31.03.2010
<b>9.3 OTHER EXPENSES</b>		
Power and Fuel	13,99,47	13,48,53
Job Work Charges	1,87	1,76
Rent	1,08,30	1,05,41
Rates and Taxes	3,57,39	2,08,57
Excise Duty	98,01	61,56
Insurance	53,70	59,38
Water and Electricity	4,79,91	4,60,89
Repairs to building	72,64	69,51
Repairs to machinery	88,84	47,13
Printing and Stationery	84,16	95,81
Rebate on Sales	2,14,50	2,78,84
Advertisement and Publicity	93,04	82,74
Training	51,69	90,42
Auditors Remuneration #	10,86	10,08
Other Agents Commission	1,27	37
Guarantee Commission to Government of India	-	2,15,98
Provision for non moving inventories	1,87,63	7,69,80
Provision for Doubtful Debts, Loans and Advances	12,99,76	12,44,82
Provision for Contingencies	1,52,46	2,71,29
Warranty claims	3,00,34	3,84,28
Loss on Assets sold or discarded	1,98	4
Loss sustained by PF Trust	5,07,81	1,73,07
Amortisation of :		
Technical Assistance Fees	43	29,29
Reconditioning Charges	2,12	2,12
Amortisation of Special Tools	2,94,81	3,32,54
Finance Charges	5,58	9,15
Travelling Expenses *	5,29,90	5,01,34
Bank/Discounting Charges	2,45,75	2,69,64
Obsolete materials written off	51,17	-
Bad Debts/Advances written off	3,13,22	34,21
Carriage outwards	5,16,71	4,56,61
Miscellaneous Expenses**	15,92,99	18,71,25
	<b>91,18,31</b>	<b>94,86,43</b>
# i) - for Audit	6,45	5,78
- in respect of taxation matters	2,20	2,12
- in any other manner	45	50
- reimbursement of expenses	85	68
- service tax	55	69
ii) Cost Audit Fee & expenses	36	31
Includes		
* Travelling Expenses and Travel Insurance relating to Directors (including Chariman and Managing Director)	49,98	42,77
**Directors' Fees	3	18

# SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

Sch. No.	Year ended 31.03.2011	Year ended 31.03.2010
<b>9.4 INTEREST</b>		
Government of India Loans	190,38,83	140,51,84
Term loans from Banks/Fin. Instns	-	69,31
Cash Credit from Banks	12,61,12	10,16,47
GOI Guaranteed Short Term Loan	3,98,50	8,99,35
HMT Bonds	6,84,24	6,81,85
GOI Guaranteed HMT Bonds (VRS)	8,02,46	15,51,95
Short Term Loan from Bank	2,37,15	2,35,25
Others	5,25,55	7,62,37
	<u>229,47,85</u>	<u>192,68,39</u>
Less: Interest Earned - on Bank deposits	4,75,87	6,84,64
- Interest Subsidy on VRS Bonds from GOI	3,42,02	7,75,52
- Others	3,58,47	4,82,07
	<u>11,76,36</u>	<u>19,42,23</u>
	<u>217,71,49</u>	<u>173,26,16</u>
<b>9.5 PRIOR PERIOD ADJUSTMENTS (PPA)</b>		
Expenditure		
Materials	11,11	1,82,20
Personnel	23	30
Depreciation	1,71	1
Other Expenses	5,97,23	13,47
	<u>6,10,28</u>	<u>1,95,98</u>
Less: Income		
Other Income	25,08	62,00
	<u>5,85,20</u>	<u>1,33,98</u>
<b>9.6 DEFERRED TAX</b>		
Deferred Tax Liability	2,65	1,86
	<u>2,65</u>	<u>1,86</u>
<b>10.1 RESERVES WITHDRAWN</b>		
Foreign Project Reserve	-	68
	<u>-</u>	<u>68</u>



## 11.1 NOTES TO CONSOLIDATED ACCOUNTS

### A. PRINCIPLES OF CONSOLIDATION OF FINANCIAL STATEMENTS

- 1 The consolidated financial statements relate to HMT Limited ('the Company') and its Subsidiary Companies. The Consolidated Financial Statements have been prepared in accordance with Accounting Standard (AS-21) "Consolidated Financial Statements" notified by Companies (Accounting Standard) Rules, 2006 on the following basis:

- a. The Subsidiary Companies considered in the Financial Statements are as follows:

	Country of Incorporation	Proportion of ownership Interest	
		2010-11	2009-10
i) HMT Machine Tools Limited	India	100%	100%
ii) HMT Watches Limited	India	100%	100%
iii) HMT Chinara Watches Limited	India	100%	100%
iv) HMT (International) Limited	India	100%	100%
v) HMT Bearings Limited	India	99.4%	99.4%

- b. The financial statements of the Company and its subsidiaries are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenditure, after eliminating intra group balances, intra group transactions and any unrealised profit/loss included therein.
- c. The Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and are presented to the extent possible in the same manner as the Company's separate financial statements.

### B. GENERAL

1. Disclosure as per Accounting Standard-15 (Revised), Segment Reporting as per Accounting Standard AS-17, Related Parties disclosure as per Accounting Standard - 18 and Disclosure of Provisions as per Accounting Standard-29 are annexed

(₹ in Thousands)

	As at 31.03.2011	As at 31.03.2010
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**C. NOTES****BALANCE SHEET****1** The Company is contingently liable for:

1.1 Claims against the Company not acknowledged as debts

a) Tax related claims pending in appeal

i) Excise Duty	5,09,00	3,31,90
ii) Sales Tax	5,49,50	5,47,39
iii) Customs Duty	2,12,29	2,12,29
iv) Property Tax	11,31,95	8,69,02
v) Income Tax	-	1,07,28

b) Employee related claims relating to Lockouts, Back wages Incentive &amp; Annual bonus, etc., pending adjudication, to the extent ascertainable

10,89,69 12,03,61

c) Others

47,57,46 46,72,26

1.2 Guarantees/Counter Guarantees issued

27,41,27 29,25,66

1.3 Balance arrears of 1997 pay/wage revision (HMT (I) Ltd)

3,11,43 -

1.4 Additional Bonus, if any, for the year 1985-86  
(Refer Note No.8.1)

7,65 7,95

1.5 Non receipt of related Forms against levy of concessional Sales Tax

16,85,03 13,85,93

1.6 Liability towards interest, penalty/damages as per sections 7Q &amp; 14B of Provident Fund Act.

34,03,31 34,03,31

**2** Estimated amount of contracts remaining to be executed on capital account and not provided for

13,66,86 16,18,62

**3** 3.1 Issued, Subscribed and paid -up capital includes 84,96,400 Equity Shares of ₹10/- each disinvested by Government of India to Financial Institutions and Mutual Funds. Percentage of Capital disinvested

1.12% 1.12%

(₹ in Thousands)

As at 31.03.2011	As at 31.03.2010
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3.2 The GOI had released a Plan Assistance of ₹2.00 Crore to the Company during March 2007 to meet the Capital Expenditure of HMT Watches Ltd, the wholly owned Subsidiary, in the form of Equity (₹1.00 Crore) & Loan (₹1.00 Crore). In view of the non utilisation of the funds by the Subsidiary within the stipulated period, GOI had instructed the company during December 2009 for refund of the total Plan Assistance of ₹2.00 Crore. Accordingly, the Company has refunded the Loan amount of ₹1.00 Crore to GOI during February 2010. However, with regard to refund of Equity portion, since the Company has already issued 10,00,000 Equity Shares of ₹10 each (₹1.00 Crore) in favour of President of India during April 2007, as per the terms of GOI sanction, the same could not be carried out, as it would amount to reduction in Share Capital requiring the approval of the Share Holders and completion of other statutory formalities as per the Companies Act, 1956 and applicable rules in this regard, and the same has been communicated to GOI. Further instructions are awaited from GOI on the same.

### 3.3 Share Application Money

The Government of India while approving the Revival Plan of HMT Machine Tools Ltd (HMT-MTL), a Subsidiary Company, during March 2007, had accorded sanction for cash infusion of ₹443.00 Crores in the form of 3.5% Preference Share Capital which was routed through the Company for investment in the Preference Share Capital in the Subsidiary, to be redeemed after 3 years i.e. 31.3.2010. However shares have not been allotted in favour of President of India pending registration of increase in the Authorised Share Capital with ROC.

As per the Revival Plan sanction, the Preference Share Capital had to be redeemed from out of sale of surplus immovable Properties of HMT-MTL. However, since the title deeds in respect of the identified immovable properties are not mutated in the name of the HMT-MTL, the sale of these properties will have to be approved by the Government as part of the Revival Plans of the Company (HMT Ltd) which is under consideration of the Government. Upon approval of the Government to the Revival Plan, the required funds will be raised through the sale of the immovable properties and the Preference Share Capital will be redeemed. Pending communication from GOI, the Company has continued to disclose the Preference Share Capital as was done in the previous year.

- 4 Bonds Redemption Reserve as required u/s 117C of the Companies Act, 1956 is not made in respect of 3 Year HMT Bonds - 2001 issued by the company in the absence of Profit.

(₹ in Thousands)

	As at 31.03.2011	As at 31.03.2010
<b>5. Deferred Tax Asset/Liability</b>		
Accounting for Taxes as per Accounting Standard-22. Deferred Tax balance as at March 31, 2011 comprising the timing difference between the profit as per financial statements and as per Income tax is made up of:		
Deferred Tax Assets (Net) Opening Balance	(1,10,89)	(1,09,03)
On depreciation to Fixed Assets	(2,65)	(1,86)
Deferred Tax (Net) Closing Balance	(1,13,54)	(1,10,89)
<b>6. Inventories</b>		
6.1 Include Excise Duty paid/payable on Closing Stock of Finished Goods & Scrap. However, this has no effect on the working results of the Company.	3,69,99	4,69,15
6.2 Include usable slow/non moving and surplus stores and materials work-in-progress/stock-in trade.	6,30,45	7,34,66
6.3 Some of the physical verification certificates in respect of stocks at showrooms/exhibitions/on consignment are awaited		
<b>7. Sundry Debtors include</b>		
7.1 Dues towards erection and commissioning for a period exceeding one year.	2,28,49	4,30,21
7.2 Amounts withheld towards liquidated damages and interest on advances claimed/if claimed on delayed supplies.	5,16,60	10,50,26
7.3 Dues from parties against whom cases have been filed before various Courts which are pending.	34,30,42	34,19,25
<b>8. Advances Include:</b>		
8.1 Amounts recoverable from employees advances, bonus, etc., pending adjudication /negotiations	36,39	41,92
8.2 Adhoc payments to employees towards Wage/Salary/DA arrears, if any, pending adjustment and provision to this extent has been made in the accounts.	44,50,25	48,74,18

(₹ in Thousands)

		As at 31.03.2011	As at 31.03.2010
<b>9</b>	<b>Current Liabilities</b>		
9.1	Dues to Micro and Small Enterprises based on the information available with the Company		
a)	i) Principal	9,47,23	7,91,39
	ii) Interest	1,52,30	91,96
b)	Amount of interest paid	1,48	-
c)	Amount of interest accrued and remaining unpaid at the end of each accounting year		
	2010-11	63,44	
	2009-10	56,98	60,08
	2008-09	31,24	31,24
	2007-08	64	64
9.2	Other liabilities include unspecified/excess credits in bank accounts	19,95	34,92
9.3	No provision has been made towards GOI counter guarantee fee in one of the units of HMT MTL.	98,41	98,41
<b>10</b>	<b>10.1</b> The BIFR has sanctioned Rehabilitation Package for HMT MTL envisaging various sanctions, waivers and exemptions from various Govt. Agencies and Banks. The Order of BIFR was received by HMT MTL on 13.06.2008, However, some of the stake holders filed appeal with AAIFR against the Order of BIFR and final hearing yet to be heard. Pending the outcome of AAIFR Orders and other statutory formalities to be complied with, no effect has been given for the waivers and exemptions in the financial statements of HMT MTL for the period ended 31.3.2010, from the various stake holders as envisaged in the DRS, approved by BIFR.		
	<b>10.2</b> HMT Bearings Ltd, a Subsidiary Company has been declared as "Sick Industrial Undertaking" u/s 3(1)(o) of SICA, 1985, on 23rd April 2009.		
<b>11</b>	Balances under 'Sundry Debtors' , 'Loans & Advances', and 'Current Liabilities' are subject to confirmation, although confirmation has been sought in most of the cases.		

(₹ in Thousands)

Year ended 31.03.2011	Year ended 31.03.2010
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**PROFIT & LOSS ACCOUNT**

<b>12</b>	Sales is net off sales returns in respect of		
	a) Tractors-30 Nos. (Previous year 22 Nos.) & Spares	<b>1,15,54</b>	83,74
	b) Machine Tools	<b>2,33</b>	4,37
<b>13</b>	Salaries and Wages include		
	13.1 Provision for Earned Leave encashment made based on Actuarial valuation of Earned Leave at the credit as at the year end.	<b>8,15,65</b>	7,90,99
	13.2 Provision for Settlement Allowance made based on Actuarial valuation.	<b>1,07,97</b>	66,14
	13.3 Arrears from 1.1.1997 to 31.3.2009 consequent to implementation of 1997 pay / wage revision vide GOI MHI&PE DPE Order No.05-III(5) 2009-P.E.X dated 15-6-2011 in respect of HMT (I) Ltd	<b>3,29,20</b>	
<b>14</b>	Gratuity has been provided /paid under a Group Gratuity Policy with Life Insurance Corporation of India. Additional provision made during the year for full coverage in excess of ₹50,000/- per employee based on actuarial valuation by LIC (full coverage in case of HMT Bearings Ltd & HMT (International) Ltd).	<b>58,57,43</b>	14,17,73
<b>15</b>	Value of Special Tools individually costing less than ₹750/- written off during the year.	<b>1,23,32</b>	1,02,02
<b>16</b>	Revenue expenditure on Research & Development charges to profit and loss account	<b>4,54,64</b>	3,70,66
<b>17</b>	Previous year's figures have been regrouped/ reclassified wherever necessary to conform to this year's classification.		

## DISCLOSURE REQUIRED AS PER ACCOUNTING STANDARD – 15 (REVISED)

The Gratuity has been provided by the Company under a defined benefit plan to cover the eligible employees, the liability being determined on actuarial valuation done by LIC using Projected Unit Credit Method. The Company has taken a Policy under Group Gratuity Scheme comprising of HMT Limited, HMT Machine Tools Limited, HMT Watches Limited and HMT Chinara Watches Ltd. with LIC and annual contributions are made to the extent required, to the separate Trust constituted and administered by the Life Insurance Corporation of India under which the coverage is limited to ₹50000/- per eligible employee. In respect of HMT Bearings Ltd. and HMT (International) Ltd the Group Gratuity Policy has been taken for full coverage of ₹10,00,000/- per eligible employee. In respect of Praga Tools Division, Hyderabad of HMT Machine Tools Ltd, there exist no Policy under Group Gratuity scheme with LIC.

The actuarial valuation has been made based on the following assumptions:

1	Retirement Age	58 years
2	Future Salary escalation	7% p.a.
3	Rate of discount	8% p.a.
4	Attrition rate	1 to 3% depending on age
5	Mortality rate	LIC (1994-96) Ultimate

The liability for gratuity premium under Group Gratuity Scheme with LIC to the extent of ₹50000/- as on 31-03-2011 is ₹502.45 lakhs. The provision for gratuity as on 31-03-2011 for the balance amount based on the above assumption for over & above the amount covered under the LIC policy in respect of the Company is ₹17504.41 lakhs.

### Defined Benefit Plan

(₹ in Lakhs)

		Gratuity (Funded)	
		2010-11	2009-10
<b>1</b>	<b>Reconciliation of changes in respect of obligations</b>		
	Present value of obligation as at beginning of year	3166.55	3277.44
	Interest cost	253.33	262.19
	Current Service Cost	11.11	4.32
	Benefits Paid	909.14	323.35
	Actuarial (Gain)/Loss on obligations	63.78	(54.05)
	Present value of obligation as at end of year	2585.63	3166.55
<b>2</b>	<b>Reconciliation of changes in the fair value of plan assets</b>		
	Fair value of plan assets of beginning of year	2652.50	2546.75
	Expected return on plan assets	234.45	235.31
	Contributions	477.50	193.79
	<b>Benefits paid</b>	<b>909.14</b>	<b>323.35</b>
	Actual Gain / (Loss) on Plan assets	-	-
	Fair value of plan assets at the end of year	2455.21	2652.50
<b>3</b>	<b>Reconciliation of fair value of plan assets</b>		
	Fair value of plan assets at beginning of year	2652.50	2546.75
	Actual return on plan assets	234.45	235.31
	Contributions	477.50	193.79
	Benefits Paid	909.14	323.35
	Fair value of plan assets at the end of year	2455.31	2652.50
	Funded status	130.32	514.05

## SEGMENT REPORTING AS PER ACCOUNTING STANDARD – 17

### I Primary Segment information:

(₹ in Lakhs)

Particulars	Machine Tools	Watches	Tractors	Bearings	Exports	Total
<b>1 Segment Revenue</b>						
- External Turnover	20902.29	892.06	20086.00	1148.32	1874.51	44903.18
- Intra Segment Turnover	-	-	-	-	-	-
- Inter Segment Turnover	-	-	-	-	-	-
Gross Turnover	20902.29	892.06	20086.00	1148.32	1874.51	44903.18
Less: Excise Duty	1812.33	76.49	156.45	127.99	-	2173.26
Net Turnover	19089.96	815.57	19929.55	1020.33	1874.51	42729.92
<b>2 Segment Results</b>						
Segment Results before interest, PPA, EOI & Taxes	(8110.13)	(13247.75)	(4052.80)	(1333.94)	(143.56)	(26888.18)
Interest	777.00	16498.36	3871.23	797.23	(172.33)	21771.49
Profit before PPA, EOI & Taxes	(8887.13)	(29746.11)	(7924.03)	(2131.17)	28.77	(48659.67)
Prior period adjustments (PPA)	419.20	168.12	(0.30)	0.85	(2.67)	585.20
Profit/(Loss) before Tax	(9306.33)	(29914.23)	(7923.73)	(2132.02)	31.44	(49244.87)
Current Tax	-	-	-	-	8.00	8.00
Deferred Tax	-	-	-	-	2.65	2.65
Profit/(loss) after Tax	(9306.33)	(29914.23)	(7923.73)	(2132.02)	20.79	(49255.52)
<b>3 Other information</b>						
Segment Assets	30077.67	7525.58	16592.01	1873.69	3523.52	59592.47
Segment Liabilities	29222.48	26957.72	24300.72	1606.99	1608.32	83696.23
Capital Expenditure	1728.84	0.02	48.87	-	18.76	1796.49
Depreciation	985.42	104.49	386.90	48.19	17.68	1542.68
Non Cash Expenses other than depreciation	-	-	-	-	-	-

**Note 1:** As per Accounting Standard on Segment Reporting (AS-17) notified by Companies (Accounting Standards) Rules, 2006, the Company has reported segments information on Consolidated basis (including businesses conducted through its Subsidiaries).

### II Secondary Segment Information:

(₹ in Lakhs)

<b>1 Segment Revenue - External Turnover</b>		<b>3 Segment Liabilities</b>	
- Within India	43028.67	- Within India	83696.23
- Outside India	1874.51	- Outside India	
<b>Total</b>	<b>44903.18</b>	<b>Total</b>	<b>83696.23</b>
<b>2 Segment Assets</b>		<b>4 Segment Capital Expenditure</b>	
- Within India	59592.47	- Within India	1796.49
- Outside India		- Outside India	
<b>Total</b>	<b>59592.47</b>	<b>Total</b>	<b>1796.49</b>



**DISCLOSURE REQUIRED AS PER ACCOUNTING STANDARD – 18 – RELATED PARTIES**

1	Name of the Company	SUDMO HMT Process Engineers (India) Ltd, Bangalore	
2	Nature of Relationship	An Associate Company	
3	Nature of Transaction during the year		
		(₹ in Thousands)	
		<u>2010-11</u>	<u>2009-10</u>
	Advances given for expenses	2,05	1,90
	Advances reimbursed by the Company	-	-
4	Outstanding at the year end	6,71	4,66
	– Advance receivable		

**DISCLOSURE REQUIRED AS PER ACCOUNTING STANDARD - 29  
– PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Provision in respect of present obligations arising out of past events are made in the Accounts based on reasonable estimates of the obligations. Provision for Warranty is made as per the Accounting Policy. The details of provision for Warranty claims is furnished below:

	(₹ in Thousands)
Opening Balance as on 1.4.2010	3,26,75
Additions during 2010-11	2,85,35
Total	6,12,10
Less: Used during 2010-11	
Utilised	1,97,25
Withdrawn	67,47
Closing Balance as on 31.3.2011	3,47,38

**EARNINGS PER SHARE**

	<u>2010-11</u>	<u>2009-10</u>
Profit/(Loss) as per Profit and Loss Account (₹ in Thousands)	(492,55,52)	(329,64,59)
Weighted Average number of Equity Shares (in Nos.)	760350140	760350140
Basic and Diluted earnings per share (in ₹)	(6.48)	(4.34)
Nominal value of share (in ₹)	10	10

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011**

(₹ in Lakhs)

	Year ended 31.03.2011	Year ended 31.03.2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit Before Tax and Extra-ordinary Items	(4,92,45)	(32,8,35)
Adjustment for:		
Depreciation	15,43	13,65
Profit on Sale of Fixed Assets (net)	(75)	(47)
Amortisation of Special Tools	2,95	3,33
Foreign Exchange (net)	(22)	(23)
Interest debited (Net)	2,17,71	1,64,17
Dividend received	(14)	(14)
Deferred Revenue Expenditure (Net)	78,10	13,40
Provision for Slow / Non moving inventories, Doubtful debts, Advances & Investments	1,33	6,60
	<u>3,14,41</u>	<u>200,31</u>
Operating Profit Before Working Capital Changes	(1,78,04)	(1,28,04)
Adjustment for:		
(Increase)/Decrease in Trade & Other Receivables	(20)	1,52
(Increase)/Decrease in Inventories	20,66	39,74
(Increase)/Decrease in Other Current Assets	(2,72)	(3,18)
Increase/(Decrease) in Trade payables	77,10	20,46
	<u>94,84</u>	<u>58,54</u>
Cash Generated From Operations	(83,20)	(69,50)
Deferred Revenue Expenditure	(78,08)	(13,09)
Direct Taxes paid	(1,86)	(54)
<b>CASH FLOW BEFORE EXTRA-ORDINARY ITEMS</b>	<u>(1,63,14)</u>	<u>(83,13)</u>
Extra-ordinary Items	-	-
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>(1,63,14)</u>	<u>(83,13)</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(12,26)	(32,28)
Sale proceeds of Fixed Assets	1,43	96
Sale of Investments	-	16
Dividend Received	14	14
Interest Received	4,76	6,85
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(5,93)</u>	<u>(24,17)</u>

# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

	(₹ in Lakhs)	
	Year ended 31.03.2011	Year ended 31.03.2010
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issue of Share Capital	-	-
Proceeds from Long Term/Short Term Borrowings	4,07,86	2,16,41
Repayment of Long Term/Short Term Borrowings	(2,16,26)	(1,00,70)
Repayment of Finance Lease Liabilities	-	-
Exchange Difference (net)	22	23
Dividends paid	-	-
Interest Paid	(34,67)	(38,09)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>1,57,15</b>	<b>77,85</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(11,92)</b>	<b>(29,45)</b>
<b>CASH AND CASH EQUIVALENTS AS AT 1ST APRIL 2010</b> (Opening Balance)	<b>88,38</b>	<b>1,17,83</b>
<b>CASH AND CASH EQUIVALENTS AS AT 31ST MARCH 2011</b> (Closing Balance)	<b>76,46</b>	<b>88,38</b>
	<b>(11,92)</b>	<b>(29,45)</b>

Note: The above statement has been prepared under the Indirect method as set out in notified AS 3 - Cash Flow Statement

For and on behalf of the Board

As per our Report attached  
For DAGLIYA & CO.  
Chartered Accountants  
F.R.N. 671S

S.G. Sridhar  
Director, Operations

Harbhajan Singh  
Director

U. Jagadish Nayak  
Company Secretary

P. Manohara Gupta  
Partner  
M.No.16444

Place : Bangalore  
Date : 12-08-2011

**FINANCIAL INFORMATION RELATING TO SUBSIDIARY COMPANIES OF HMT LIMITED FOR THE YEAR ENDED 31ST MARCH 2011**

(₹ in Thousands)

Sl. No.	Particulars	HMT Machine Tools Ltd.	HMT Watches Ltd.	HMT Chinara Watches Ltd.	HMT Bearings Ltd.	HMT (International) Ltd.
a)	Capital	719,59,91	6,49,01	1,66,01	37,70,91	72,00
b)	Reserves & Surplus	22,70,82	-	-	-	24,80,19
c)	Total Assets	310,54,61	63,05,29	12,62,59	16,72,69	43,16,00
d)	Total Liabilities	422,45,48	1609,19,41	399,72,71	83,47,37	16,50,26
e)	Investments	-	-	-	2,01,00	-
f)	Turnover	209,02,29	8,81,71	10,34	11,48,32	27,88,63
g)	Profit/(Loss) before Taxation	(93,06,33)	(253,73,81)	(45,40,42)	(21,32,02)	31,43
h)	Provision for Taxation	-	-	-	-	10,65
i)	Profit/(Loss) after Taxation	(93,06,33)	(253,73,81)	(45,40,42)	(21,32,02)	20,78
j)	Proposed Dividend (%)	Nil	Nil	Nil	Nil	20%

***BOOK-POST***

***If undelivered :***

**M/s. Karvy Computer Share Pvt. Ltd.**

***TKN Complex, 51/2, Vanivilas Road***

***Basavangudi, Bangalore - 560 004.***