

**HMT LIMITED****No. 59, Bellary Road, Bangalore - 560 032****NOTICE**

Notice is hereby given that the 59th Annual General Meeting of HMT Limited will be held on **Friday, September 28, 2012** 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, 2012 and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri.Harbhajan Singh who retires by rotation and being eligible offers himself for re-appointment.
3. To fix the remuneration of Statutory/Branch Auditors to be appointed by the Comptroller and Auditor General of India for the year 2012-2013.

SPECIAL BUSINESS:

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

“RESOLVED THAT pursuant to Section 255 read with Sections 257 and 262 of the Companies Act, 1956 and Article 67(4) of the Articles of Association of the Company, Dr.Vijay Shankar Madan, who was appointed as Director with effect from July 18, 2012, in place of Shri Saurabh Chandra, be and is hereby appointed as a Director of the Company”

By order of the Board of Directors

(U.Jagadish Nayak)
General Manager &
Company Secretary

Place: Bangalore
Date: 03.09.2012

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.THE INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTYEIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. The Share Transfer Books and Register of Members of the Company shall remain closed from 21.09.2012 to 28.09.2012 (both days inclusive)
3. Members /proxies should bring the attendance slip duly filled in for attending the meeting.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.**Item No.4**

Dr.Vijay Shankar Madan, Additional Secretary and Financial Adviser, Ministry of Heavy Industries & Public Enterprises, was appointed as a Director of the Company by the President of India vide Order No.5(8)/2010-P.E.X dated 18th July 2012,until further orders, in place of Shri S.Saurabh Chandra. The Board of Directors has approved his appointment as Director with effect from July 18, 2012, in terms of Article 67(4) of the Articles of Association read with Section 262 of the Companies Act, 1956. Shri Vijay Shankar Madan is proposed for appointment as a Director in terms of Article 67(4) of the Article of Association of the Company read with Sections 255,257 and 262 of the Companies Act,1956,for which a notice has been received from a Member.

Copy of the relevant document(s) are available for inspection by the members during business hours on any working day, at the Registered Office of the Company.

Dr. Vijay Shankar Madan is considered as interested in the resolution being the subject of his appointment as a Director. None of the other Directors is concerned or interested in the resolution.

INFORMATION PURSUANT TO CLAUSE 49 OF LISTING AGREEMENT**Item No.4**

Dr. Vijay Shankar Madan, aged 55 years was inducted as Part-time Official Director on the Board of HMT w.e.f 18th July 2012, Dr. Vijay S. Madan belongs to the Indian Administrative Service and is presently posted as the Additional Secretary and Financial Adviser in the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry. He holds additional charge of the posts of AS & FA to the Ministries of Heavy Industries, MSME and Department of Public Enterprises.

After completing his education (MBBS) form the University of Delhi, Dr Vijay S. Madan joined the IAS in 1981 and worked in positions of increasing responsibility in the Government, both at Central and State levels . Dr. Vijay S. Madan possesses experience of International Civil Service, having worked as Chief of Economic Policy (2001-02) in the Air Transport Bureau of the International Civil Aviation Organization (ICAO),a specialized agency of United Nations. He earlier served as the Representative of India to the Council of ICAO (1996-99).

As the Secretary -cum-Commissioner Transport (2005-06) under the Government of NCT of Delhi, Dr. Vijay S. Madan was instrumental in establishing a Special Purpose Vehicle under the name of Delhi Integrated Multi-model Transit Systems (DITMS) and served as its first Managing Director .He held additional charge of Secretary Tourism and Public Relations during the period.

Prior to his current assignment, Dr. Vijay S Madan worked in the Ministry of Culture where he held the positions of Additional Director General of Archaeological Survey of India(March 2007 to April 2009),Director General, National Museum (additional Charge basis),and Joint Secretary (November 2008 to June 2012).

DIRECTORSHIP AND MEMBERSHIP OF COMMITTEES OF THE BOARD

Name of the Company	Director/Chairman	Name of the Committee	Member	Chairman
BHEL	Director	-	✓	-
HEC, Ranchi	Director	-		-
National Institute of Design ,Ahemdabad	-	Governing Council	✓	-
CMTI Bangalore	-	Governing Council	✓	-
NCCBM	-	Board of Governors	✓	-
KVIC	-	KVIC Board	✓	-
NIMSME, Hyderabad Executive Council	-	Governing Council	✓	-
II E, Guwahati	-	General Body, Board of Management,EC	✓	-

By order of the Board of Directors

(U.Jagadish Nayak)
General Manager &
Company Secretary

Place: Bangalore
Date: 03.09. 2012

Registered Office:

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

IMPORTANT COMMUNICATION TO MEMBERS

Across the world, there is an increasing focus on doing our bit to help save our environment from further degradation. The Green initiative is an attempt to reduce consumption of paper by making use of electronic communication, in turn prevent deforestation and thereby contribute to a cleaner and healthier environment. It will also ensure prompt receipt of communication and avoid losses in transit.

The Ministry of Corporate Affairs has taken a "Green Initiative in 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 initiative, we had requested our members last year to register their email-id with their Depository Participant / Company's Registrar & Share Transfer Agents which will enable us to provide shareholder communication in electronic form.

In response to our request, several Members have expressed their support to the initiative, by registering their email-id and we express our sincere appreciation of their gesture. It is once again requested that Members who have not registered their email addresses, so far, to register their email-id with their Depository Participant / Company's Registrar & Share Transfer Agents to support this green initiative of the Government in full measure.

Members who hold shares in physical form are requested to fill the appropriate information in the form below and register the same with Karvy Computershare Private Limited (Unit – HMT Limited), No. 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad – 500 034.

We are sure that you appreciate the Green Initiative taken up by the Ministry of Corporate Affairs and trust that you will support your Company's desire to participate in it.

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 ID/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 Ninth Annual General Meeting at the Registered Office of the Company at **10:30 a.m. on Friday, September 28, 2012**

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 FORMDP. 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 Ninth Annual General Meeting of the Company, to be held at **10:30 a.m. on the 28th day of September 2012**, 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	Chairman & Managing Director
Shri Saurabh Chandra	Director (upto 17.07.2012)
Dr. Vijay Shankar Madan	Director (w.e.f 18.07.2012)
Shri Harbhajan Singh	Director
Shri Antony Chacko	Director (Operations) (w.e.f 23.08.2012)

EXECUTIVE DIRECTOR

Shri Prakash Sharan	Executive Director, Tractors
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CHIEF VIGILANCE OFFICER

Smt M. Indu Madhavi	Chief Vigilance Officer
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COMPANY SECRETARY

Shri U. Jagadish Nayak	General Manager & Company Secretary Compliance Officer
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STATUTORY AUDITORS

M/s S.R.R.K. Sharma Associates
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)

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
OPERATING STATISTICS										
Sales	16112	20086	19164	16098	17108	22729	24833	20386	15801	18330
Other Income *	4658	5475	1078	1425	1267	11458	5621	9030	6549	3765
Materials	12118	13746	12083	10596	14064	15125	17461	14710	9952	10734
Employee Costs	7499	8371	6762	6367	6472	6106	5813	5930	5231	5188
Other Costs	2906	3140	3252	4811	4080	8351	5868	6236	6863	7351
Depreciation	440	387	392	340	299	321	393	416	419	447
Earnings before Interest	735	(16)	(3323)	(5664)	(4466)	3639	900	2024	(208)	(2304)
Interest	8955	7908	1968	1234	131	(409)	(455)	174	511	1097
Earnings/(Loss) before Tax	(8220)	(7924)	(5291)	(6898)	(4597)	4048	1355	1850	(719)	(3401)
Taxation (net off withdrawal/refunds)	-	-	-	181	(130)	(1382)	28	1252	77	40
Net Earnings	(8220)	(7924)	(5291)	(7079)	(4467)	5430	1327	598	(796)	(3441)
FINANCIAL POSITION										
Net Fixed Assets	3507	3868	4028	4094	3751	3342	3437	3317	3683	4096
Current Assets	70619	65557	72668	71078	73167	112729	111417	115431	95292	95890
Current Liabilities & Provisions	25701	24309	21437	19445	19653	20914	20366	19859	20246	23810
Working Capital	44918	41248	51231	51633	53514	91815	91051	95572	75046	72080
Capital Employed	48425	45116	55259	55727	57265	95157	94488	98889	78729	76176
Investments	76556	76556	76556	76571	76571	76571	7801	4639	4589	4550
Miscellaneous Expenditure	-	-	-	29	197	380	3845	4594	4822	4949
Borrowings	71401	59871	62091	57312	52098	85553	92742	99637	82055	79121
Net Worth	53581	61800	69724	74986	81897	86181	8146	2492	1116	1535
OTHER STATISTICS										
Capital Expenditure	81	227	327	681	707	230	556	54	58	278
Internal Resources Generated	(7780)	(7537)	(4899)	(6739)	(4168)	5751	1720	1014	(377)	(2994)
Working Capital Turnover Ratio	0.36	0.49	0.37	0.31	0.32	0.25	0.27	0.21	0.21	0.24
Current Ratio	2.75	2.70	3.39	3.66	3.72	5.39	5.47	5.81	4.71	4.03
Return on Capital(%)	1.57	(0.03)	(5.99)	(10.03)	(5.86)	3.84	0.93	2.28	(0.27)	(2.99)
Employees (Nos)	1699	1904	2088	2205	2296	2383	2429	2489	2568	2649
Per Capita Sales	9.48	10.55	9.18	7.30	7.45	9.54	10.22	8.19	6.15	6.92

* Includes Extra Ordinary Items/Interest Income

DIRECTORS' REPORT

To
The Members
HMT Limited
Bangalore

Dear Members,

The Annual Accounts of the Company for the year 2011-12 along with the Auditors' Report and the Comments of the Comptroller & Auditor General of India are attached to this Report.

CORPORATE PERFORMANCE

The Indian macroeconomic overview reported that the economic growth in the Country decelerated during the year 2011-12 showing a drop from 7.7 per cent in the first quarter to 6.9 per cent in the second quarter and further down to 6.1 per cent in the third quarter & lastly to 6.9 per cent in the fourth quarter. Overall Growth decelerated significantly to 6.1 per cent in the third quarter of last year, although it is expected to have recovered moderately in the fourth quarter. Based on current assessment, the economy is clearly operating below its post-crisis trend. India's GDP growth rate slowed to 6.9 per cent in 2011-12 against 8.4 per cent in the previous two financial years.

On the demand side, gross fixed capital formation contracted both in the second and third quarters of the year 2011-12, and on the other hand, the share of gross Fixed Capital Formation (GFCF) in GDP was down by almost 1 percentage point (from 30.4 per cent to 29.5 per cent). The more recent data on industrial production suggest that activity may have expanded at a slower pace than last year.

Looking ahead, the overall growth outlook for the current year appears to be marginally better than it was last year.

Accordingly, a projection of GDP growth for the current year is 7.3 per cent. Prospects for agriculture are encouraging. The assessment of leading indicators suggests that the overall situation of monsoon for the year 2012 may be near normal. Growth may have bottomed out in the 3rd Quarter of 2011-12, but recovery ahead is likely to be slow. Revival in the industrial sector hinges on the impetus to ease supply-side constraints, especially in the energy and mineral deficits. Government initiatives to revive the power sector would lead to reviving the growth momentum.

On the Company's main business portfolio of Tractors, the market indicators reveal that the industry recorded growth of 4% in terms of quantity, but there was a negative growth in value terms to 10% during the year under review. As a result, your Company also had to face severe pressure on performance during the year. Your Company recorded a Production of ₹ 182.98 Crore (4453 Nos. of Tractors) as against ₹ 187.24 Crore (4812 Nos. of Tractors), in the previous year, and Sales of ₹ 161.12 Crores (3639 Nos. of Tractors) compared to ₹ 200.86 Crores (4920 Nos. of Tractors) in the previous year.

HMT Group along with its Subsidiaries achieved an aggregate Production of ₹ 428.83 Crore and Sales of ₹ 449.67 Crore for the year 2011-12. The overall performance was marginally better than that of the previous year.

OPERATING RESULTS

Your Company achieved a Gross Margin of ₹ 11.77 Crore during the Year under review as compared to the Gross Margin of ₹ 3.71 Crore in the previous year. The Operations of your Company resulted in a Net Loss of ₹ 82.20 Crore during the year 2011-12, when compared with ₹ 79.24 Crores recorded in the previous year, which was mainly due to the higher interest burdens on account of Loans availed from the Govt of India under various heads. The financial highlights for the year 2011-12, are as under:

FINANCIAL HIGHLIGHTS

(₹ in crore)

Particulars	2011-12	2010-11
Gross Profit/(Loss) (PBITD)	11.77	3.71
Depreciation & Amortization	4.40	3.87
Finance Cost	89.55	79.08
Profit/(Loss) before PPA	(82.18)	(79.24)
Less: Prior Period Adjustments (PPA)	0.02	-
Net Profit/(Loss) before tax	(82.20)	(79.24)
Tax Provision (Net)		
Net Profit/(Loss) after tax	(82.20)	(79.24)
Net Profit/(Loss) carried to Balance Sheet	(82.20)	(79.24)

DIVIDEND & PROVISIONS

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 value of Tractors remained at ₹ 182.98 Crore during the year under review. Further, the high interest on account of loans availed from Government of India to discharge liabilities, affected the bottom line to a large extent.

During January 2012, your Company received financial assistance in the form of Non Plan Loan of ₹ 38 Crore from the Government of India, for meeting the urgent working capital needs of the Tractor Division, which helped improve the Production in the last Quarter of the year under review.

FUTURE OUTLOOK

Two distinct trends are emerging in the Indian tractor market, first being the increase in market share of low HP tractors. Although low HP tractors have only a negligible

presence even now, the segment has more than doubled its market share in the past three years. There is an inherent expansion in tractor demand in this segment because of shortage of farm labour/increase in wage rates due to alternative employment opportunities available to workers under National Rural Employment Guarantee Act leading to increased tractor viability even for small/medium size land owners. Low HP tractors are also affordable for farmers with small land holdings that make them a viable option.

Growth in the segment is expected to remain buoyant because of increased application of lower HP tractors for smaller grounds, narrow spaces, orchards and cropping, etc.

The other trend that is evident is increased use of tractors in infrastructure and construction sectors which has led to a huge growth in purchase of higher HP tractors. High growth in this segment is expected to continue because of the following:

- Replacement demand turning towards higher HP tractors.
- Increased usage of tractors for non-agricultural applications across India

The Industry growth is projected at 8-12 per cent for current financial year 2012-13, with the monsoon being normal.

The Tractor Industry will continue to grow in the year 2012-13 due to thrust of Govt. on Agriculture and infrastructure. 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. Tractor sales are expected to witness growth of 8 - 10% during the year 2012-13. The demand for I.P.Engines is also expected to grow substantially due to shortage of power across the Country and installation of cellular towers by the Mobile telephone operators.

The Tractor Business Group of your Company has already initiated a host of measures towards performance

improvement in right earnest, by appointment of new Distributors and Dealers in potential areas/territories, up gradation of the tractor engines for compliance to new emission norms for all models of tractors, 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 your Company envisages plant modernization and technology upgradation which will contribute to better productivity and give a thrust to the growth trends in the coming years. A Business Plan has been prepared in association with a reputed Consultancy Firm, which comprises of various strategic initiatives to sustain the operations and achieve growth and has been recommended by the Board for Reconstruction of Public Sector Enterprises (BRPSE) in the form of a Revival Plan and is being processed for approval by the Government of India.

SUBSIDIARY COMPANIES

- **HMT Machine Tools Limited**

The Subsidiary achieved Sales of ₹ 240.46 Crore and Production of ₹ 218.17 Crore with a Net loss of ₹ 46.14 Crore during the year 2011-12. The Subsidiary has implemented the revival plan proposals and plant upgradation. 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 during the year under review. Major factors

affecting the performance of this Subsidiary were paucity of working capital, erosion of trade channel and high cost of borrowings. Despite these constraints, this Subsidiary could achieve a Sales level of ₹ 10.24 Crore and Production of ₹ 13.04 Crore during the year under review. The Net Loss for the year stood at ₹ 224.04 Crore as compared to ₹ 253.74 Crore incurred during the previous year. The Revival Plan in respect of this Subsidiary has been submitted to the Government based on the business plans prepared by a reputed Consultancy Firm. The Subsidiary was able to reduce its manpower by introduction of VRS, funded by Government of India (GoI) Loans. A total of 124 employees have been retired by the Subsidiary under VRS during the year 2011-12 involving an outgo of ₹ 26.29 Crore, thereby reducing its manpower strength to 1219 as on 31.3.2012.

- **HMT Chinar Watches Limited**

The performance of this Subsidiary could not be sustained at optimum levels due to the disturbed situation prevailing in the J&K Valley apart from working capital constraints for production. Majority of the employees have been separated on VRS leaving about 111 employees at Srinagar and Jammu Units of the Subsidiary. Under these circumstances, the Subsidiary's Sales was limited to ₹ 0.08 Crore during the year compared to ₹ 0.10 Crore in the previous year, with NIL Production for the year. In view of the virtual non operating levels, the Subsidiary incurred a Net loss of ₹ 44.04 Crore during the year.

- **HMT (International) Limited**

The export Subsidiary achieved a turnover of ₹ 32.40 Crore as against ₹ 27.89 Crore recorded in the previous year, i.e. 2010-11, registering a growth of 16%. The Order procurement during the year also showed a satisfactory increase at ₹ 37.98 Crore as against ₹ 27.45 Crore achieved in the previous year, registering a growth of 38%. With the increased Turnover levels, the Subsidiary was able to achieve the Profit Before Tax (PBT) of ₹ 1.74 Crore as against

₹ 0.31 Crore achieved in the previous year, thereby continuing the trend of achieving profits. The Subsidiary has maintained its consistent dividend payment record and has recommended a dividend of 20% for the year 2011-12 on its Paid-up equity share capital.

- **HMT Bearings Limited**

During the year under review, your Company was able to achieve a Sales of ₹ 16.12 Crore, registering growth of 40% as against the Previous Year's Sales of ₹ 11.48 Crore. In terms of Production also, the Company was able to achieve ₹ 14.64 Crore registering a growth of 30% as compared to the Previous Year's Production level of ₹ 11.24 Crore.

The Revival Plans of this Subsidiary has been prepared and submitted for consideration by the Government through the BRPSE. Meanwhile, the bankers to the Company holding security in the form of immovable properties have initiated action against the mortgaged property under the SARFAESI Act and the matter is now pending before DRT, Hyderabad, in appeal.

ASSOCIATE /JOINT VENTURE COMPANY

SUDMO-HMT Process Engineers (India) Limited

Business was not transacted by this Joint Venture Company during the year under review. For the financial year 2011-12, this Company showed a Profit after tax of ₹ 0.91 Lakhs on account of the interest income of ₹ 3.36 lakhs, out of the Fixed Deposits kept with the Banks. The Company is in the process of re-starting the operations of this Company.

Gujarat State Machine Tools Corporation Ltd

This Joint Venture Company between HMT and GIIC Ltd has discontinued its operations since long. It is therefore proposed to divest from this Associate Company jointly with the JV Partner. The process of disinvestment is under

consideration by the Company in consultation 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 2011-12, 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 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 CAPITAL

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 2011-12.

The employee strength of the Company as on March 31, 2012, stood at 1699 Nos. as compared to 2088 Nos. at the

end of the previous year. There are 340 employees in the Officer Cadre and 1359 Non-Executive in Workmen cadre. The number of employees on the rolls of the Company as on March 31, 2012 in SC/ST, Ex-servicemen, Physically Handicapped and Women Employee Categories etc. is detailed below :

Scheduled Castes	397
Scheduled Tribes	57
Other Backward Classes	117
Ex-Servicemen	4
Persons with Disabilities	16
Women employees	48
Minorities	258

INDUSTRIAL RELEATIONS

The overall Industrial Relations situation in the Company during the year remained cordial.

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 at 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, 2011. Various competitions in Hindi 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 take part in the meetings of the Town Official Language 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 Department of the Company. The Chief Vigilance Officer is assisted at Unit level by Assistant Vigilance Officers appointed specifically for this purpose. The Corporate Vigilance Department carries out vigilance functions in the Company as well as in the Subsidiaries. The vigilance functions in the manufacturing Units and Marketing Offices are looked after by Vigilance Officers, under the guidance of Chief Vigilance Officer.

The Unit Vigilance Officers submit monthly vigilance and inspection reports to CVO. The reports so received are scrutinized at CVO Office for further action. Unit Vigilance Officers also verify Annual Property Returns submitted by the Unit level Officers. Apart from regular inspections by Unit Vigilance Officers, CVO conducts CTE type surprise and regular inspections of high value purchase /contracts and systems. Violations of rules and procedures, if any, observed during the inspection of files by CVO/Unit VO's are pointed out and comments of the concerned officers obtained. Wherever required, appropriate action against the concerned officers are recommended, instructions issued to the effect that the violations of rules and procedures pointed out by the Vigilance Department do not recur.

In line with CVC's direction, emphasis was laid on preventive vigilance by striving towards strict adherence to all procedures and norms of transparency in tendering process. CVC's guidelines for 'Improving vigilance administration by leveraging technology and increasing transparency through effective use of website' are considered. Some of the systems put in place by the Company are:

1. Hosting of all open tenders and high value Limited Tenders on www.tenders.gov.in (website of GoI).

2. Publishing details regarding all purchase orders / contracts concluded during the month, above the threshold value (presently ₹ 5.00 lakhs).

3. Application form for vendor registration along with list of items required by different Units of the Company and Subsidiaries are made available on Company website so as to enable the interested vendors to download the application form and submit the same to the Unit of their choice. Efforts are being made for periodical uploading of status of every vendor application on website.

4. Wherever possible Company has adopted e-payment mode for remittance.

Quarterly vigilance workshops were organized at all manufacturing Units to enhance the level of vigilance awareness among the employees and other stakeholders. Vigilance Awareness Week 2011 was observed in all Units and Offices of the Company and Subsidiaries as per the guidelines of CVC.

CORPORATE 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, 2012, is also appended.

The Audit Committee could not be reconstituted as per Cl. 49 of the Listing Agreement in the absence of Independent Directors to be appointed by the Government on the Board.

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, 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 S.R.R.K.Sharma , Bangalore, were appointed as Statutory Auditors of the Company for the year 2011-12 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 2011-12 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

Vide Presidential Order No. 5(32)/2009-P.E.X dated 19th September 2011 issued by the Department of Heavy Industry, Shri S.G. Sridhar, Director (Operations) has been appointed as the Chairman & Managing Director of the Company for a period of five years from the date he assumes the charge of the post or till the date of his superannuation or until further orders, whichever is earliest. Shri Sridhar took charge of the Post on September 19, 2011.

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

The Ministry of Heavy Industries and Public Enterprises, Department of Heavy Industry, New Delhi has appointed Dr. Vijay Shankar Madan, Additional Secretary and Financial Advisor as a Director on the Board of the Company with effect from 18.07.2012 Vice Shri Saurabh Chandra, Director.

Shri Antony Chacko was appointed as Director (Operations) in the vacancy caused by the elevation of Shri S.G. Sridhar as Chairman & Managing Director vide presidential order F.No. 5 (33)/ 2011P.E.X. dated 16.07.2012. He assumed charge of post on 23-08-2012.

Pursuant to Article 67(4) of the Article of Association of the Company and Section 255 read with Sections 257 and 262 of the Companies Act, 1956, as amended, Dr. Vijay Shankar Madan who was appointed as Directors of the Company, who retires by rotation at ensuing Annual General Meeting and is eligible for re-appointment.

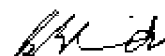
The Directors wish to place on record the services rendered by Shri Saurabh Chandra, Director.

ACKNOWLEDGEMENTS

Your 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.

Your Directors would also like to take this opportunity to express their appreciation for the contributions made by the Company's employees and look forward to their continued services in pursuit of building a world class Indian Company.

For and on behalf of the Board of Directors



(S. G. Sridhar)

Chairman & Managing Director

ADDENDUM TO DIRECTORS' REPORT FOR THE YEAR 2011-12 IN RESPECT OF OBSERVATIONS MADE BY STATUTORY AUDITORS ON THE ACCOUNTS OF HMT LIMITED FOR THE YEAR ENDED 31ST MARCH 2012.

Ref.	Statutory Auditors' Observations	Company's Reply
D.1	<p>The Company has made long term investments aggregating to ₹. 1.66 Crores in subsidiary company, viz., HMT Chinar Watches Limited, whose net worth has eroded and this company is suffering continuous losses. Market value of the assets of this company, 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 this investment, 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.</p>	<p>Since Government of India is making arrangement to address the issues of HMT Chinar Watches Limited, the carrying cost of the long-term investment in HMT Chinar Watches Limited does not call for making any provision for diminution in their value.</p>
D.2	<p>The company has also given loans and advances to the subsidiary stated in clause above and the aggregate dues from them as at 31st March 2012 amount to ₹. 76.65 Crores. In view of our observations made 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.</p>	<p>The dues from Subsidiary is fully realizable. The total dues from the Subsidiary stood at ₹ 76.65 Crores as on 31.03.2012.</p>
D.3	<p>Certain balances under Trade payables, other current liabilities, Trade receivables, loans and advances are subject to confirmation and reconciliation. These balances include certain old balances requiring review and reconciliation. Consequential loss for the year & cumulative loss is understated and loans and advances are overstated to that extent.</p>	<p>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.</p>

Ref.	Statutory Auditors' Observations	Company's Reply
D.4	<p>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.</p>	<p>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 has to identify the lands for transfer to HMT Machine Tools Ltd.</p> <p>This fact will be disclosed in the Financial Statements of the Company during the current financial year 2012-13.</p>

For and on behalf of the Board of Directors



(S.G.Sridhar)
Chairman & Managing Director

MANAGEMENT DISCUSSION & ANALYSIS

A) Industry Structure and Development

General Economic Environment:

The global economic environment, which has been tenuous at best throughout the year, turned sharply adverse during the middle of the year. However, for the Indian economy, the outlook for growth and price stability at this juncture looks more promising. There are signs that the weakness in economic activity has bottomed out and a gradual upswing is imminent.

The Indian economy is estimated to have grown by 6.5 per cent in the year 2011-12, after having grown at the rate of 8.4 per cent in each of the two preceding years. The economic growth for the year has been at 2.8 per cent in agriculture & allied activities, 3.4 per cent in industry and 8.9 per cent in services as compared to a growth of 7.0 percent, 7.2 per cent and 9.3 per cent respectively reported during 2010-11.

Growth in factory output, as measured by the Index of Industrial Production (IIP), was 5.3 per cent in April last year. The manufacturing sector, which constitutes over 75 per cent of the index, grew by 0.1 per cent, as against 5.7 per cent in April 2011. The capital goods output declined by 16.3 per cent as against a growth of 6.6 per cent in the same month last year. In all, 12 of the 22 industry groups in the manufacturing sector have shown positive growth during April as compared to the same month a year ago. The output of basic goods went up by only 2.3 per cent in April, as against 7.1 per cent in the same month last year. However, intermediate goods witnessed a contraction of 1.4 per cent as against a 3.9 per cent growth in April last year.

Growth Outlook

GDP growth for 2011-12 suggests 7.6 per cent on the basis of the macro-economic situation prevailing. However, facing

the domestic economy was inflationary pressures, which resulted in high interest rates and global uncertainty, the outlook for Agriculture in 2012-13 is encouraging.

Increased global uncertainties, lower availability of credit and higher input costs are seen to be the significant factors affecting the overall business sentiment. Survey results on future expectation index indicate slow growth while inflation is expected to show gradual moderation.

Industry Structure and Developments & Tractor Industry In India

Tractor industry (Inland) registered growth of 11 % during 2011-12 over the year 2010-11. This growth evidently was due to support from the Government of India (GOI) towards rural development and Farm mechanization; scarcity of farm labour especially during the sowing season; increase in credit flow to agriculture; increase in non-agri application of tractors in infrastructure projects; growth in power segments (<20HP and >50HP) besides healthy export sales.

The top three companies are enjoying approx. 73 % of the total market share of Tractor industry. A comparative study of the segment-wise growth of the Tractor Industry over that of the previous year, is given below:

- Ø Below 20 HP tractors which has 1.2% share of total market showed growth of 49%
- Ø 20 HP to 30 HP tractors which has 12.5% share of total market showed growth of 8%
- Ø 31 HP to 40 HP tractors which has 41.3% share of total market grew by 11%
- Ø 41 HP to 50 HP tractors which has 28% share of total market grew by 9%
- Ø Above 51 HP tractors which has 17% share of total market grew by 113% which is the highest growth segment

The tractor Industry will continue to grow in the current financial year 2012-13 due to thrust of the Govt. on Agriculture and infrastructure. However, there will be fatigue in growth due to economic slow down and cyclic nature of growth in Tractor industry. Tractor sales are expected to witness growth of 8 - 10% during 2012-13. Demand for I.P.Engnes will go up due to shortage of power and installation of cellular towers.

General economic environment along with Tractor Industry in India

Slow down in economy due to international economical conditions and impact of inflation. GDP growth is expected to be 7 – 7.5% during 2012-13. The tractor Industry is expected to witness moderate 8 – 10% growth which will be lower than that of the previous year. Tractors in higher HP segment will record good growth due to the demand from Infrastructure projects.

B) Opportunities

- Good growth of Inland Tractor Industry i.e 8% to 10% in 2011-12.
- Demand of higher HP tractors due to infrastructure projects.
- Demand of PTO driven implements like Rotavator increasing.
- Growth in exports especially to African & Asian countries.
- Demand for I.P engines for GenSet, mobile communication towers and power generation.

C) As Industry growth rate during 2011-12 truncated to 11% compared to 24% in previous year, the Company also followed the growth momentum and showed a de-growth in performance during the year under review. During the year, your Company achieved a Production level of ₹ 182.98 Cr (4453 Nos. of Tractors) as against ₹ 187.24 Cr (4812 Nos. of Tractors) recorded, in the previous year.

D) Financial Performance

The turnover for the year 2011-12 stood at ₹ 161.12 Cr. and the Company incurred a Net loss of ₹ 82.20 Cr.

The total borrowing position of the Company as on 31.3.2012 stood at ₹ 531.33 Cr. which includes ₹ 417.62 Cr. of Government of India Loan.

E) 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 about transparency within the whole spectrum of the Company.

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. At present the Audit Committee is awaiting to be reconstituted after appointment of Independent Directors on the Board by the Government.

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. Meetings of the Audit Committee could not be held during the year pending reconstitution.

F) HUMAN RESOURCES

As on 31.03.2012, the Company including its Subsidiaries had a total workforce of 6441 employees, which comprised of various categories of employees at the manufacturing plants and other Offices in Technical and other Professional areas as detailed below:

Company	SUBSIDIARY WISE QUALIFICATION DETAILS As on 31.3.2012							
	IP as on 31-03-12	Engg. Gradu ates	Diploma Holders	Professionals		ITI/ NAC	General Graduates	Others
HMT Limited	1699	56	150	4	9	1013	161	306
HMT MTL	3278	290	584	23	31	1379	249	722
HMT WL	1219	27	114	4	-	101	153	820
HMT CWL	111	-	1	-	-	26	11	73
HMT BLH	74	7	13	1	-	27	6	20
HMT (I) L	60	17	3	1	1	-	35	3
Total	6441	397	865	33	41	2546	615	1944

The Company has taken suitable measures to reduce the Manpower Costs by implementing several austerity measures.

Rationalization of surplus manpower and implementation of Voluntary Retirement Scheme (VRS) are in progress in some of the Subsidiary Companies. The VRS is in operation in Subsidiaries viz., HMT Watches Ltd and HMT Chinara Watches Ltd and the same is being 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 Chinara Watches Ltd and HMT Bearings Ltd., during the last four years is given below:

Sl. No.	Company	No. of employees opted VRS				
		2008-09	2009-10	2010-11	2011-12	Total
1.	HMT Machine Tools Ltd	101	-	-	-	101
2.	HMT Watches Ltd.	-	-	462	124	586
3.	HMT Chinara Watches Ltd	241	80	19	-	340
4.	HMT Bearings Ltd	-	-	104	-	104
	Total	342	80	585	124	1131

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

II BOARD OF DIRECTORS

As on March 31, 2012, the Board of Directors comprised of

Chairman & Managing Director and two part-time Official Directors. 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 Chairman & Managing Director and under the supervision and control of the Board of Directors.

During the year 2011-12, six (6) Board Meetings were held on May 16, July 25, August 12, October 04, November 18 in the calendar year 2011 and on January 24 in the calendar year 2012.

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

III COMMITTEES OF THE BOARD

A. 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

Name	Category	Attendance particulars		Number of other Directorships and Committee Member/ Chairmanships held		
		Board Meetings	Annual Meetings	Directorship Chairmanship	Committee	
					Membership	Chairmanship
S.G. Sridhar	C & MD	6	Yes	7	-	-
Harbhajan Singh	NENI	6	-	7	-	-
Saurabh Chandra	NENI	5	-	5	9	-

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

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 compliment of members as envisaged in the Listing Agreement (Clause 49).

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.

B. REMUNERATION TO DIRECTORS

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

Name of Director	Salary (₹)	Other Benefits (₹)	Total (₹)
S.G. Sridhar, CMD	759802	151858	911660

No sitting fee is payable to any of the Directors except Part-time Non-Official (Independent) Directors. An amount of ₹ 2000/- per meeting for the Board and ₹ 1000/- for each (Committee Meetings) is being paid as sitting fee to the Part time Non-Official (Independent) Director 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.

C. SHARE TRANSFER SUB -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 dematerialization of shares on transfer to a depository four meetings were held during the year 2011-12.

Name of the Compliance Officer:

Shri U. Jagadish Nayak,
General Manager & Company Secretary

D. THE SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

During the year ended March 31, 2012 there was only one complaint received from Shareholder which has been resolved during the year itself.

Number of pending Share Transfers - NIL

IV GENERAL BODY MEETINGS

The last three Annual General Meetings were held as under:

Financial year	Date	Time	Venue
2008-2009	30.09.2009	10.30 a.m	Registered Office at No 59, Bellary Road, Bangalore-560 032.
2009-2010	29.09.2010	10.30 a.m	
2010-2011	30.09.2011	10.30 a.m	

V 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.
- There is no formal Whistle Blower Policy in the Company.
- Reconciliation of Share Capital Audit

A qualified practicing Company Secretary carried out a share capital audit to reconcile the total admitted equity share capital with the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed equity share capital. The audit report confirms that the total issued/paid-up capital is in agreement with the total number of shares in physical form and total number of dematerialized shares held with NSDL and CDSL.

VI SUBSIDIARY COMPANIES

The Minutes of the Board meetings along with a report on significant developments of the unlisted Subsidiary Companies are periodically placed before the Board of Directors of the Company.

VII MEANS OF COMMUNICATION

The Company has published its Quarterly Results as per the listing requirements in leading newspapers viz., Financial Express/Business Standard (English) and Vijaya Karnataka on August 13, 2011, November 19, 2011, January 25, 2012 and May 15, 2012. 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.

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 2011-12 has been obtained and was placed before the Board.

VIII GENERAL SHAREHOLDERS INFORMATION (Tentative)

- | | |
|----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| i) Annual General Meeting | September 28, 2012
10.30 A.M at
No.59, Bellary Road
Bangalore - 560 032 |
| ii) Financial Calendar | |
| Year ending | March 31 |
| AGM in | September |
| iii) Book Closure | September 21, 2012 to
September 28, 2012
(both days inclusive) |
| iv) Listing of Shares and
other Securities | 1. Bombay Stock
Exchange Limited,
Mumbai

2. National Stock
Exchanges of
India Ltd., Mumbai |
| (Annual Listing Fees for the year 2011-12 have been paid to the above Stock Exchanges) | |
| v) Stock Code No. | |
| Bombay Stock
Exchange Ltd., Mumbai | 500191 |
| National Stock Exchange
of India Limited,
Mumbai | HMT
ISIN No. INE 262A01018 IN |

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

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

vii) 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 endeavors to move towards a regime of unqualified financial statements. However, Company declares that no personnel have been denied the access to Audit Committee.

viii) 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 2011	68.50	59.35	68.70	59.20
May	65.70	56.50	65.70	56.25
June	65.70	57.20	65.65	57.00
July	62.30	56.60	62.55	56.60
August	57.90	41.00	57.60	41.05
September	48.50	40.05	47.70	40.00
October	44.30	36.50	44.45	36.20
November	44.250	31.35	44.40	31.35
December	34.90	26.85	35.00	26.80
January 2012	49.70	29.65	48.40	29.50
February	53.50	40.60	53.70	40.10
March	50.35	36.20	50.50	38.05

ix) Distribution of Shareholding:

The shareholding distribution of Equity shares as of 31.03.2012 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	22765	90.19	30593440	0.40
5,001 - 10,000	1408	5.58	11672960	0.15
10,001 - 20,000	584	2.31	9019820	0.12
20,001 - 30,000	183	0.73	4731930	0.06
30,001 - 40,000	89	0.35	3193210	0.04
40,001 - 50,000	61	0.24	2895790	0.04
50,001 - 1,00,000	96	0.38	6957370	0.09
1,00,001 & Above	54	0.21	7534436880	99.09
TOTAL	25240	100.00	7603501400	100.00

x) Shareholding Pattern: as on 31.03.2012

Shareholders	No. of Shares	%
Indian Promoters		
(President of india and his nominees)	75,18,53,740	98.88
Financial Institutions/Mutual Funds/Banks	2,85,065	0.03
Other Body Corporates	16,41,478	0.22
Individuals	64,28,587	0.85
Non Resident Indians	73,216	0.01
Clearing Members ⁰	68,044	0.01
Foreign Institutional Investors	5,265	—
Total	76,03,50,140	100.00

(xi) Dematerialisation of Shares :

The Company's Shares are compulsorily traded in the electronic mode from June 26, 2000. As on 31st March 2012, 99.98 % of the Company's Shares representing 76,02,15,719 equity shares were held in dematerialised form and the balance 0.02 % representing 1,34,421 shares were in the physical form.

xii) 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:

xiii) Address for correspondence:

The Company's Registered Office is situated at:

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

Pinjore - 134101
Dist. Panchkula, Haryana

Narasapur 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

Energy conservation Measures and Savings :

Energy efficient lighting system installed by replacing existing tube fittings in Tractors Plant. It will result in annual saving of 2,04,000 KWH of electricity i.e approximately ₹ 9.5 lakhs for the year 2011-12

- By installing translucent sheets in Main Stores approximately 200 nos. Tube lights kept switched off during 'D' shift resulting in annual saving of approx. 26880 KWH i. e ₹ 1.24 lakhs.
- By improving power factor, rebate on electricity bills amounting to ₹ 14.60 Lakhs has been availed from State Electricity Board.
- Portable Compressors are being run when less air is required.

2. Technology absorption

Product Technology

Tractor has following main aggregates & Technology enhancement /absorption is as under :

Engines

1. To achieve new emission norms (TREM IIIA) of reduced NOx , HC , CO & PM , the combustion improvement in engine Technology developed by design of new Piston with new bowl geometry adopted in existing HMT 4 Cylinder engine under back-up plan, to achieve new applicable emission norms with the inline fuel injection pumps using Turbocharger & Intercooler accessories.
2. The Integral weight crank shaft technology developed for new HMT series engines adopted & implemented on existing 3 & 4 cylinder engine crankshafts.
3. Direct mounting of fuel Injection Pump on Timing Gear of engine designed for new HMT series engines implemented on existing 2- Cylinder 25 HP engine.
4. In new sheet metal Bonnet, the sensing of all engine parameters like engine oil pressure, water temperature, engine rpm are converted from mechanical sensing to

electrical signal sensing successfully implemented in HMT 50 HP & HMT 65 HP Tractor models.

5. Technology of Exhaust Gas Recirculation is successfully developed & implemented to achieve new emission norms for below 50 HP Tractors by in-house R&D efforts.

Transmission:

1. Cerametallic dual clutch developed & successfully implemented on HMT 50 HP Tractor.
2. Oil immersed brakes developed for Direct axle (DX model) Tractor and successfully implemented on 50 Hp Tractor model 5022 DX.

Hydraulics:

Front Mounted hydraulic pump on engine the development work completed for HMT 60 HP engine.

Chassis:

The new improved arrangement of fuel tank mounting on chassis, the new mounting arrangement of battery box with shock-proof tray on front pan developed & implemented successfully.

3. Segment wise / product wise performance

HP Segment	2011-12
21-30	335
31-40	2256
41-50	436
Above 50	612
Total	3639

4. Performance for the year 2011-12 and Plan for 2012-13

Some of the notable achievements for the year are:

- Exponential growth in production from 127 nos in Dec. 2011 to 502 in Jan 2012, 622 in Feb. and 703 in March 2012.

- 30 No. 50 HP tractor model 5022 with oil immersed brakes marketed in Feb/March.
- Started productions for 65 HP TC Engine, compliant to TREM III A norms.
- Engine up-gradation for HMT 35 HP Engine completed.
- New style bonnet supply started on 50 HP and 65 HP tractors with electronic instrument panel, dry air filter and front mounted battery to improve market acceptability.
- 8 new distributors appointed i.e. M.P.-3, U.P.-1 Karnataka-1, Bihar -1, A.P.-1 and Maharashtra-1. Total no. of distributors increased to 14 no.
- 26 new dealers appointed and 16 non performing dealers terminated making total as 249 no. of tractor dealers, engine dealers-7 and 38 spare parts dealers.
- Cash Billing – 58 % in 2011-12 compared to 34.27 % in 2010-11.

PLAN FOR 2012-13:

- Remodeling 50 HP and 65 HP Tractors with new sheet metal styling to create market pull.
- Boosting sales through already appointed 14 distributors and further appointment of distributors during 2012-13.
- Dealers' network expansion through appointment of new dealers.
- Efforts for exclusive financial tie up with Public Sector banks to be continued during the year 2012-13.
- Developing HMT Silent Diesel Generating Set with rating of 25 KVA
- Development of new Tractor engine 55 HP to 75 HP
- Launching of Rotavators

Research, Development & Innovation:

Your company has a strong foundation in its engineering capabilities to bring about new models required for the industry segment. In its effort towards this end, it has released various variants of the product range that meets the market demand. Product and process innovations have resulted in bringing specific features ready products as per market expectations. Investments in R&D for the year are detailed below;

(₹ in Lakhs)

Description	2011 -12
Capital	120
Recurring	188
Total	308
Total R& D Expenditure as % of Turnover	1.91

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 2012, 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 M/s S R R K Sharma Associates
CHARTERED ACCOUNTANTS
(ICAI Regn.No.003790S)

Place: Bangalore
Date : 31-07-2012

CA S R R K Sharma
Partner (M.No. 018088)

DECLARATION BY THE CHAIRMAN & MANAGING DIRECTOR

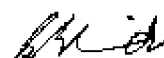
WITH THE COMPANY'S CODE OF CONDUCT

This is to certify that:

The Company has adopted a Code of Conduct for its employees including the Chairman & Managing Director and Senior Management. 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, 2012.



Chairman & Managing Director

Place: Bangalore
Date: July 30, 2012

AUDITOR'S REPORT

To
The Members of
HMT Limited,
Bangalore

We have audited the attached Balance Sheet of **HMT Limited** as at **31st March 2012**, Statement of 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. 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.

We conducted our audit in accordance with the auditing standards generally accepted in India. These standards require to 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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.

- A.** As required by the Companies (Auditor's Report) Order, 2003 as amended by Companies (Auditor's Report) Amendment Order, 2004, issued by the Central Government of India, in terms of Section 227(4A) of the Companies Act, 1956, and on the basis of such checks of books and records of the Company, as we 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 enclose in the annexure a statement on the matters specified in Paragraphs 4 and 5 of the said Order.
- B.** Further to our comments in the Annexure referred to above, we report that:
1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of the audit.
 2. 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.
 3. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 4. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement referred to in this report comply with the Accounting Standards referred to Sec.211 (3C) of the Companies Act, 1956 to the extent applicable.

5. Being a Government Company provision of clause (g) of sub section (1) of Sec 274 of the Companies Act, 1956, is not applicable as per notification No.GSR 829(E) Dated October 21, 2003, issued by the Department of Company Affairs, Government of India.
- C. Without qualifying our opinion, we invite attention to the following points
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.
- D. Opinion:
- 1 The Company has made long term investments aggregating to ₹ 1.66 Crores in subsidiary company, namely, HMT Chinar Watches Limited whose net worth has eroded and this company is suffering continuous losses. Market value of the assets of this company, 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 this investment, 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.
 - 2 The company has also given loans and advances to the subsidiary stated in clause above and the aggregate dues from them as at 31st March, 2012 amount to ₹ 76.65 Crores. In view of our observations made 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.
 3. Certain balances under Trade payables, other current liabilities, Trade receivables, 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 is not ascertainable.
 - 4 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.

E. We further report that, observations made by us in paragraphs D. (1) & (2) above been considered, ios for the year would have been ₹ 160.51 Crores (as against reported figure of ₹ 82.20 Crores); the adverse balance in statement of Profit & loss (Cumulative) would have been ₹ 880.38 Crores (as against reported figure of ₹ 802.07 Crores), Investments would have been ₹ 763.90 Crores (as against reported figure of ₹ 765.56 Crores), Loans and Advances would have been ₹ 497.64 Crores (as against reported figure of ₹ 574.29 Crores).

F. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with accounting policies and

notes thereon, give the information required by the Act, in the manner so required, **subject to our comments in paragraph D and E above and clause 11 and 19 of Annexure to paragraph (A) above**, give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. In the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March 2012;
- b. In the case of the Statement of Profit and Loss, of the LOSS for the year ended on that date; and
- c. In the case of Cash Flow Statement, of cash flows for the year ended on that date.

Place : Bangalore
Date: 31-07-2012

For M/s. S R R K SHARMA ASSOCIATES
CHARTERED ACCOUNTANTS
(ICAI Regn. No. 003790S)

(CA. S R R K SHARMA)
Partner (M.No. 018088)

ANNEXURE REFERRED TO IN PARA 'A' OF OUR REPORT OF EVEN DATE

1. a). The Company has maintained proper records showing full particulars including quantitative details and 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 its fixed assets. Hence going concern status is not affected.
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 for inventory and as informed to us, the discrepancies noticed on physical verification by the management, which reported to be not material, same have been properly dealt with in the books of account of the company.
3. The Company has neither granted nor taken any loans, Secured or Unsecured to/from companies, firms or other parties covered in the register maintained u/s 301 of the Act. Accordingly sub clauses (a) to (g) are not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of Inventory and Fixed Assets and with regards to Sale of Goods and Services. Further, on the basis of our examination of the books and records of the Company carried out in accordance with the Auditing Standards generally accepted in India and according to the information and explanations given to us, we state that we have neither come across nor have been informed of any continuing failure to correct major weakness in the aforesaid internal control system.
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.
6. The Company has not accepted any deposits from the public during the year and hence the directives issued by the Reserve Bank of India and the provisions of Sec 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under are not applicable.
7. The Company has an Internal Audit System, the scope and coverage of which is commensurate with its size and nature of its business.

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.
9. a) According to the information and explanations given to us, 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, Custom Duty, Cess, Excise Duty, Service Tax and any other Statutory dues with the appropriate authorities.
- b) 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, Rs 195.03 lakhs towards Sales Tax.
- c) According to the information & explanations given to us, and records of the company there are no dues payable in respect of Sales Tax, Income Tax, Excise Duty, Wealth Tax, Custom Duty, Service Tax and Cess which were disputed except the following:

Statute	Nature of dues	Total Amount (in lakhs)	Financial year which amt 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	3.00	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
	Total	577.06			

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.

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 as detailed below:

₹ in crores

Particulars	Principal	Interest	Due since
10% Secured Bonds-A,B,C & E Series	31.80	29.14	June 2004 to August 2006
12% Secured Bonds-A,B & C Series	28.70	31.29	June 2004 to August 2006

12. The Company has not granted any advance or loan on the basis of security by way of pledge of shares, debentures and other securities.

13. The Company is not a Chit Fund/Nidhi/Mutual Benefit Fund/Society. Therefore the relative reporting requirements are not applicable.

14. The Company is not dealing or Trading in shares, Securities, Debentures or other investments. Therefore the relative reporting requirements are not applicable.

15. According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks or financial Institutions. Hence, the relative reporting requirements are not applicable.

16. According to the information and explanation given to us, the Company has not availed any term loans during the year.

17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, the Company has not raised any funds on short term basis during the year.

18. During the year, the Company has not made any preferential allotment of shares. Hence, the relative reporting requirements are not applicable.

19. The Company has not created charge in respect of the following:

a. 10% Non Convertible Bonds - Rs.31.80 Crores

b. 12% Non Convertible Bonds - Rs.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 overdue for redemption since 1st June, 2004, being earliest date of redemption.

20. The Company has not raised money from the public issues during the year, hence the relative reporting requirements are not applicable.

21. In our opinion and according to the information and explanation given to us, during the period under audit, no cases of fraud on or by the Company were noticed or reported.

For M/s. S R R K SHARMA ASSOCIATES
CHARTERED ACCOUNTANTS
(ICAI Regn. No. 003790S)

(CA. S R R K SHARMA)
Partner (M.No. 018088)

Place: Bangalore
Date : 31-07-2012

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF HMT LIMITED, BANGALORE FOR THE YEAR ENDED 31 MARCH 2012

The preparation of financial statements of HMT Limited, Bangalore for the year ended on 31 March 2012 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 the 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 31 July 2012.

I, on the 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 HMT Limited, Bangalore for the year ended on 31 March 2012. 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 auditor and company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge, which would give rise to any comment upon or supplement to statutory auditor's report under Section 619(4) of the Companies Act, 1956.

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

**Y.N. Thakare
Principal Director of Commercial Audit
& Ex-Officio Member, Audit Board,
Hyderabad.**

**Place: Hyderabad
Dated: 4 September 2012.**

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 capitalized 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 recognized 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 Rs.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.

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 in Indian rupee by applying to the foreign currency amount the exchange rate existing at the time of the transaction.

The outstanding balances of monetary items relating to foreign currency transactions are stated in Indian rupee by adopting the rate of exchange prevailing at the date of Balance Sheet. Exchange differences consequent to reinstatement are credited / charged to revenue.

The gain or loss in the conversion and / or settlement of liabilities incurred for acquisition of fixed assets is either credited or charged to revenue during the period such gain or loss arise.

In the case of forward exchange contracts, the premium or discount arising at the inception of the contract is accounted for over the life of the contract. Exchange differences on such a contract are recognized in the statement of profit or loss in the reporting period in which the exchange rate changes.

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 Rs.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 contribution 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 Rs.750/- are written off fully in the initial year of acquisition / manufacture.

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.

Government Grants

Government Grants are accounted when there is a reasonable certainty of their realization. Grants related to revenue, unless received as compensation for expenses / losses, are recognized as revenue over the period to which these are related on the principle of matching costs to revenue. Grants related to depreciable fixed assets are adjusted against the gross cost of the relevant assets while those related to non-depreciable assets are credited to capital reserve.

Intangible Assets

Intangible assets are capitalized at cost if

- (a) it is probable that the future economic benefits that are attributable to the asset will flow to the company,
- (b) the Company will have control over the assets, and
- (c) the cost of these assets can be measured reliably.

Technical Know-how

Expenditure on Technical Know-how is recognized as an Intangible Asset and amortized on straight line method based on technical assessment for a period not exceeding ten years. The amortization commences when the asset is available for use.

Software

The cost of software internally generated / purchased for internal use which is not an integral part of the related hardware is recognized as an Intangible Asset and is amortized on straight line method based on technical assessment for a period not exceeding ten years.

Research and Development Expenditure**Research Phase:**

Expenditure on research including the expenditure during the research phase of Research & Development Projects is charged to profit and loss account in the year of incurrence.

Development Phase:

Expenditure incurred on Development Costs, which relate to Design, Construction and Testing of a chosen alternative for new or improved material, devices, products, processes, systems or services are recognized as an intangible asset. Such Intangible assets are amortized based on technical assessment over a period not exceeding ten years using straight line method.

Impairment of Assets

As at the end of each Balance Sheet date, the carrying amount of assets is assessed as to whether there is any indication of impairment. If the estimated recoverable amount is found less than its carrying amount, the impairment loss is recognized and assets are written down to their recoverable amount.

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 yearend 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.

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.

BALANCE SHEET AS AT 31ST MARCH 2012

(₹ In lakhs)

Particulars	Note No.	As at 31-03-2012	As at 31-03-2011
I EQUITY AND LIABILITIES			
1. SHAREHOLDERS' FUNDS			
a) Share Capital	B1	76035.01	76035.01
b) Reserves & Surplus	B2	(66754.40)	(58534.58)
2 SHARE APPLICATION MONEY PENDING ALLOTMENT	B3	44300.00	44300.00
3. NON-CURRENT LIABILITIES			
a) Long-term Borrowings	B4	40234.95	31976.35
b) Long-term Provisions	B5	4053.91	3827.19
4. CURRENT LIABILITIES			
a) Short-term Borrowings	B6	5320.72	6479.28
b) Trade Payables	B7	4855.22	4414.61
c) Other Current Liabilities	B8	39370.95	33755.77
d) Short-term Provisions	B9	3265.73	3726.97
TOTAL		150682.09	145980.60
II. ASSETS			
1. NON-CURRENT ASSETS			
a) Fixed Assets			
i) Tangible Assets	B10	3480.62	3607.95
ii) Intangible Assets	B10	26.08	-
iii) Capital Work -in- Progress		-	0.70
iv) Machinery Equipments in transit and under inspection / erection		-	259.10
b) Non-current Investments	B11	76555.87	76555.87
c) Long term Loans and Advances	B12	92.02	0.07
2. CURRENT ASSETS			
a) Inventories	B13	5613.69	2835.86
b) Trade Receivables	B14	6453.89	6936.58
c) Cash and Cash Equivalents	B15	361.87	382.86
d) Short-term Loans and Advances	B16	57429.33	55001.83
e) Other Current Assets	B17	668.72	399.78
TOTAL		150682.09	145980.60
See accompanying notes to the financial statements.			
Additional Disclosure to Balance Sheet	B18		
Accounting Policies from the financial statements			

For and on behalf of the Board

As per our Report attached
For M/s. S R R K SHARMA ASSOCIATES
CHARTERED ACCOUNTANTS
(ICAI Regn. No.: 003790S)

S.G. Sridhar
Chairman &
Managing Director

Harbhajan Singh
Director

U. Jagadish Nayak
General Manager &
Company Secretary

(CA. S R R K Sharma)
Partner (M. No. 018088)

Place : Bangalore
Date : 30 - 07-2012

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2012

(₹ In lakhs)

Particulars	Note No.	Year Ended 31-03-2012	Year Ended 31-03-2011
REVENUE			
I. Gross Revenue from Operations	P1	16111.90	20086.00
Less : Excise Duty		155.42	156.45
Net Revenue from Operations		15956.48	19929.55
II. Other Income	P3	4658.25	5474.81
III. Total Revenue (I+II)		20614.73	25404.36
IV. EXPENSES :			
Cost of Materials Consumed	P4	11537.40	13163.97
Purchase of Stock in Trade	P5	580.62	582.02
Changes in Inventories of Finished Goods, SIT, WIP & Scrap	P6	(2794.83)	79.24
Employee Benefits Expense	P7	7498.71	8371.03
Depreciation and Amortization	P8	440.34	386.90
Other Expenses	P9	2749.35	2984.40
Finance Cost	P10	8954.68	7907.80
Less: Job done for internal use	P2	(133.88)	(146.97)
Total Expenses		28832.39	33328.39
V. Profit / (Loss) Before Exceptional Items, Prior Period Adjustments, Extrordinary items and Tax (III - IV)		(8217.66)	(7924.03)
VI Exceptional Items		-	-
VII Prior Period Adjustments	P11	2.16	(0.30)
VIII Profit / (Loss) Before Extrordinary Items and Tax (V - VI - VII)		(8219.82)	(7923.73)
IX Extraordinary Items		-	-
X Profit / (Loss) Before Tax (VIII-IX)		(8219.82)	(7923.73)
XI Tax Expenses		-	-
XII Profit / (Loss) For The Period (X-XI)		(8219.82)	(7923.73)
XIII Earnings Per Equity Share:			
Basic / Diluted Earnings Per Share of ₹ 10 each (in Rupees)		(1.08)	(1.04)
No. of Equity Shares (Weighted Average Basis)		760350140	760350140
See accompanying notes to the financial statements			
Additional Disclosure to Statement of Profit and Loss	P12		
Accounting Policies form part of the financial statements			

For and on behalf of the Board

S.G. Sridhar
Chairman &
Managing Director
Place : Bangalore
Date : 30 - 07-2012

Harbhajan Singh
Director

U. Jagadish Nayak
General Manager &
Company Secretary

As per our Report attached
For M/s. S R R K SHARMA ASSOCIATES
CHARTERED ACCOUNTANTS
(ICAI Regn. No.: 003790S)

(CA. S R R K Sharma)
Partner (M. No. 018088)

NOTES FORMING PART OF BALANCE SHEET

(₹ In lakhs)

Note No.	Particulars	As at 31-03-2012	As at 31-03-2011
BI SHARE CAPITAL			
	AUTHORISED		
	100,00,00,000 (Previous year 100,00,00,000) Equity Shares of ₹10/- each	100000.00	100000.00
	4,50,00,000 (Previous year 4,50,00,000) Preference Shares of ₹100/- each	45000.00	45000.00
		145000.00	145000.00
	ISSUED, SUBSCRIBED & PAID UP		
	76,03,50,140 (Previous 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 }	76035.01	76035.01
	75,18,53,740 i.e., 98.88% (Previous year 75,18,53,740 i.e., 98.88%) Equity Shares of ₹ 10/- each are held by President of India	76035.01	76035.01

B2. RESERVES & SURPLUS

Particulars	As at 01-04-2011	Addition	Withdrawals	As at 31-03-2012
General Reserve	13453.11	-	-	13453.11
Balance in Statement of Profit & Loss	(71987.69)	(8219.82)	-	(80207.51)
	(58534.58)	(8219.82)	-	(66754.40)

B3 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.

44300.00 44300.00

B4 LONG TERM BORROWINGS

SECURED

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.

Amount of continuing default ₹6050.00 lakhs

(Previous year ₹ 6050.00 lakhs)

6050.00 6050.00
6050.00 6050.00

NOTES FORMING PART OF BALANCE SHEET

		(₹ In lakhs)	
Note No.	Particulars	As at 31-03-2012	As at 31-03-2011
	UNSECURED		
	Loans from Government of India with interest @ 14.5% to 15.5%, repayable in 1-5 equal annual installments from the date of drawal of loan	34184.95	25926.35
	Amount of default ₹ 17933.95 lakhs (<i>Previous year ₹ 6686.55 lakhs</i>) and the earliest date of continuing default is 07-04-2005	34184.95	25926.35
		40234.95	31976.35
B5	LONG TERM PROVISIONS		
	Gratuity	3516.44	3257.31
	Earned Leave Encashment	363.85	360.42
	Settlement Allowance	173.62	209.46
		4053.91	3827.19
B6	SHORT TERM BORROWINGS		
	SECURED		
	Cash Credit Loans secured by hypothecation of inventories and Trade receivables 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.	2890.72	4049.28
	Short Term Loan secured by hypothecation of inventories and Trade receivables 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.	2000.00	2000.00
		4890.72	6049.28
	UNSECURED		
	Loans from a Subsidiary - HMT International Ltd	430.00	430.00
		5320.72	6479.28
B7	TRADE PAYABLES		
	Acceptances	126.89	132.67
	Dues towards Goods purchased	4069.58	3571.45
	Dues to Micro & Small Enterprises	658.75	710.49
		4855.22	4414.61

NOTES FORMING PART OF BALANCE SHEET

		(₹ In lakhs)	
Note No.	Particulars	As at 31-03-2012	As at 31-03-2011
B8	OTHER CURRENT LIABILITIES		
	Current maturities of long-term debt		
	Loans from Government of India	7577.20	9112.80
	Interest accrued and due on borrowings		
	3 year HMT Bonds 2001	1730.75	1730.75
	8 year 8.5% HMT Bonds 2002	-	519.69
	Short Term loan from Bank	-	22.01
	Loans from Government of India	16537.02	10030.00
	Interest accrued but not due on borrowings		
	Government of India Loan	3604.08	2954.61
	Dues to Subsidiary companies		
	HMT Chinar Watches Ltd	10.86	8.57
	Advance received against sales	345.74	348.58
	Sundry Creditors - other dues	2031.36	2006.37
	Other liabilities	7533.94	7022.39
		<u>39370.95</u>	<u>33755.77</u>
B9	SHORT TERM PROVISIONS		
	Gratuity	1037.74	1162.54
	Leave Encashment	245.70	349.50
	Settlement Allowance	65.74	43.52
	Contingencies	352.13	344.61
		92.06	142.26
	Warranty	1472.36	1684.54
	Others	3265.73	3726.97

NOTES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH 2012

B10 FIXED ASSETS

Particulars	Gross Block				Accumulated Depreciation			Net Block		
	Balance as at 01-04-2011	Additions	Deductions/ Adjustments	Balance as at 31-03-2012	Balance as at 01-04-2011	Deductions/ Adjustments	Depreciation during the year	Balance as at 31-03-2012	Balance as at 31-03-2012	Balance as at 01-04-2011
I Tangible Assets										
Land & Land Development	180.80			180.80	-			-	180.80	180.80
Land-Leasehold	17.09			17.09	5.56		3.51	9.07	8.02	11.53
Buildings	2132.60			2132.60	1166.49		52.16	1218.65	913.95	966.11
Plant and Machinery	10703.06	311.44	10.81	11003.69	8303.48	9.03	373.81	8668.26	2335.43	2399.58
Furniture, Fittings & Office Appliances	455.98	1.85		457.83	415.94		6.32	422.26	35.57	40.04
Transport Vehicles	158.30			158.30	148.41		3.04	151.45	6.85	9.89
II Intangible Assets										
Design & Prototype		27.58		27.58			1.50	1.50	26.08	-
Total	13647.83	340.87	10.81	13977.89	10039.88	9.03	440.34	10471.19	3506.70	3607.95
Previous Year	13639.25	48.87	40.29	13647.83	9693.07	40.09	386.90	10039.88	3607.95	

Note: 1) Quantum of loss due to Impairment of Assets as per AS-28 - Nil

2) Additions includes ₹ 31.85 lakhs borrowing cost capitalised in respect of assets put to use during the year to confirm accounting policy of the company as against charge to revenue in the recent earlier years.

NOTES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH 2012

LAND

- 1 The Company is in possession of gift land located at Pinjore, Kalamassery and Hyderabad gifted by the respective State Governments admeasuring 822.67 acres, 30 acres and 660.75 acres respectively, nominally valued at ₹ 1/- each. The mutation of Title of land in the name of the Company is yet to be done.
- 2 The Company is in possession of leasehold land measuring 30 acres at Aurangabad out of which 5 acres of land has been encroached upon. The unamortised value of this land amounting to ₹ 3.39 lakhs as on 31.3.2012 has been fully charged off during the year 2011-12, leaving a balance of ₹ 1/-. Further, legal action is being pursued for restoration of the encroached land.
- 3 In respect of lands at Hyderabad, an area admeasuring 28.40 acres was leased to various 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. yards of land, for which lease deed was executed and agreed to release another two acres of land to AP Postal Department in Hyderabad, the execution of which is pending. The Company has obtained stay from the Andhra Pradesh High Court, against repossession of 106 acres and 35 guntas of land by the Government of Andhra Pradesh. No finality has been 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 In respect of lands at Pinjore, Haryana, the State Government has issued an order for resumption of 446 acres of unutilised land, against which the Company has obtained a stay from the High Court of Punjab & Haryana against the said resumption order and the same is continuing. The Company has agreed and transferred about 5 acres of land to Haryana Irrigation department at their request for construction of Kaushalya Dam and compensation for the same is yet to be recovered pending mutation of title of land in Company's name, which is a subject matter of legal proceedings before the Punjab & Haryana High Court. Further, National Highways Authority of India has acquired about 11.73 acres of land for road widening project and compensation for the acquired land is awaited as the matter regarding mutation of title of land in Company's name is pending before the Punjab & Haryana High Court.

NOTES FORMING PART OF BALANCE SHEET

		(₹ In lakhs)	
Note No.	Particulars	As at 31-03-2012	As at 31-03-2011
B11 NON CURRENT INVESTMENTS			
	TRADE INVESTMENTS	-	-
	OTHER INVESTMENTS (UNQUOTED) - AT COST		
	30,00,000 (Previous year 30,00,000) Ordinary Shares of Naira 1 each fully paid up in Nigeria Machine Tools Ltd, Nigeria.	171.55	171.55
	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).	3746.86	3746.86
	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).	27659.91	27659.91
	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).	649.01	649.01
	16,60,100 (Previous year 16,60,100) Equity Shares of ₹10 each fully paid up in HMT Chinar Watches Ltd., Jammu (Wholly owned Subsidiary Company).	166.01	166.01
	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).	44300.00	44300.00
		76748.26	76748.26
	Less : Provision for dimunition in value of Investment		
	Nigeria Machine Tools Ltd., Nigeria	171.55	171.55
	Gujarat State Machine Tools Corporation Ltd, Bhavnagar	20.84	20.84
		192.39	192.39
		76555.87	76555.87

NOTES FORMING PART OF BALANCE SHEET

(₹ In lakhs)

Note No.	Particulars	As at 31-03-2012	As at 31-03-2011
B12	LONG TERM LOANS AND ADVANCES		
	Capital Advance	92.02	0.07
		<u>92.02</u>	<u>0.07</u>
B13	INVENTORIES*		
	Raw Materials and Components	992.92	1004.74
	Material and components in transit	83.70	7.94
	Work-in-Progress	917.93	1117.04
	Finished Goods	3354.30	398.73
	Stock in Trade	387.41	327.94
	Stores and Spares Parts	33.39	44.28
	Tools and Instruments	340.31	350.23
	Scrap	23.45	44.55
		<u>6133.41</u>	<u>3295.45</u>
	Less: Provision for Non-moving Inventories	519.72	459.59
		<u>5613.69</u>	<u>2835.86</u>
	* Includes stock with C&F Agents / Contractors / Ancillary units Customs / in Bonds / at site	8.31	5.84
B14	TRADE RECEIVABLES *		
	UNSECURED		
	Trade receivables outstanding for a period less than six months from the date they are due for payment		
	- Considered Good	4971.78	5745.32
	Trade receivables outstanding for a period exceeding six months from the date they are due for payment		
	- Considered Good	1482.11	1191.26
	- Considered Doubtful	4089.61	3757.49
		<u>10543.50</u>	<u>10694.07</u>
	Less: Provision for Doubtful Debts	4089.61	3757.49
		<u>6453.89</u>	<u>6936.58</u>
	*Debts due by firms or Private Companies in which any Director, officer is a partner or a Director or a member	-	-
B15	CASH AND CASH EQUIVALENTS		
	Cash and Cheques on hand	5.10	5.44
	Balance with Banks in Current account	206.15	155.75
	Balance with Banks in Deposit account*	150.62	221.67
		<u>361.87</u>	<u>382.86</u>
	* Includes Deposits held as margin money	35.00	35.00

NOTES FORMING PART OF BALANCE SHEET

(₹ In lakhs)

Note No.	Particulars	As at 31-03-2012	As at 31-03-2011
B16	SHORT TERM LOANS AND ADVANCES*		
	SECURED, CONSIDERED GOOD:		
	Advances	1.01	5.64
		<u>1.01</u>	<u>5.64</u>
	UNSECURED, CONSIDERED GOOD:		
	Loans to Subsidiary Companies		
	HMT Machine Tools Ltd.	1014.22	946.30
	HMT Watches Ltd.	44373.11	41839.38
	HMT Chinar Watches Ltd.	7675.85	7386.70
		<u>53063.18</u>	<u>50172.38</u>
	Advances to Subsidiary Companies		
	HMT Machine Tools Ltd.	279.67	266.39
	HMT Watches Ltd.	2253.81	2204.66
	HMT International Ltd.	14.54	11.04
	HMT Bearings Ltd.	151.28	195.27
		<u>2699.30</u>	<u>2677.36</u>
	ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED		
	UNSECURED		
	Considered Good	1374.84	1851.58
	Considered Doubtful	172.36	158.78
		<u>1547.20</u>	<u>2010.36</u>
	Less: Provision for doubtful loans and advances	172.36	158.78
		<u>1374.84</u>	<u>1851.58</u>
	OTHER ADVANCES		
	UNSECURED CONSIDERED GOOD		
	Balance with Collectors of Customs. Central Excise, Etc.,	7.96	12.77
	Deposits	275.99	266.69
	TDS Receivable	7.05	10.62
	Advance Fringe Benefit Tax	-	4.79
		<u>291.00</u>	<u>294.87</u>
		<u>57429.33</u>	<u>55001.83</u>
	*Debts due by firms or Private Companies in which any Director, officer is a partner or a Director or a member	-	-
B17	OTHER CURRENT ASSETS		
	Special Tools	87.33	87.62
	Interest on Trade Receivable	5491.49	5007.48
	Less: provision for interest on Trade Receivable	4910.10	4695.32
		<u>581.39</u>	<u>312.16</u>
		<u>668.72</u>	<u>399.78</u>

NOTES FORMING PART OF BALANCE SHEET

(₹ In lakhs)

Note No.	Particulars	As at 31-03-2012	As at 31-03-2011
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B18 ADDITIONAL INFORMATION TO 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	2.48	2.48
ii) Sales Tax	271.87	271.87

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

	14.72	26.23
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C. Others

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

	371.64	514.83
--	--------	--------

1.2 Guarantees/Counter Guarantees issued

	1939.69	1966.46
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1.3 Additional Bonus, if any, for the year 1985-86

	1.86	2.20
--	------	------

1.4 Liability towards interest, penalty/damages as per 7Q and 14B of Employees Provident Fund and Misc. provision Act

	50.31	-
--	-------	---

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

	739.02	789.41
--	--------	--------

The uncertainties relating to outflow and the possibility of any reimbursement of the above is not ascertainable

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

	-	3.46
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3. The GOI had released a Plan Assistance of ₹200 lakhs to the Company during March 2007 to meet the Capital Expenditure of HMT Watches Ltd, the wholly owned Subsidiary, in the form of Equity (₹ 100 lakhs) & Loan (₹100 lakhs). 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 ₹ 200 lakhs. Accordingly, the Company has refunded the Loan amount of ₹100 lakhs 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 (₹ 100 lakhs) 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.

NOTES FORMING PART OF BALANCE SHEET

(₹ In lakhs)

Note No.	Particulars	As at 31-03-2012	As at 31-03-2011
4.	<p>Share Application Money</p> <p>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 ₹ 44300 lakhs 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.</p> <p>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.</p>		
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.	<p>Deferred Tax Asset/Liability</p> <p>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.</p>		
7.	<p>Inventories include</p> <p>Excise Duty paid / payable on Closing Stock of Finished Goods</p>	17.74	10.64
8.	<p>Advances include</p> <p>8.1 Amounts recoverable from employees advances, bonus etc pending adjudication / negotiations</p> <p>8.2 Adhoc payments to employees towards Wage / Salary, DA arrears, if any, pending adjustment & provision to this extent has been made in the accounts</p>	21.88 924.43	25.88 1005.55

NOTES FORMING PART OF BALANCE SHEET

(₹ In lakhs)

Note No.	Particulars	As at 31-03-2012	As at 31-03-2011
9.	Disclosure regarding dues to Micro & Small Enterprises based on the information available with the company		
(a)	Dues to Micro & Small Enterprises remaining unpaid as at the end of the year.		
(i)	Principal	658.75	710.49
(ii)	Interest due thereon	221.21	148.62
(b)	Amount of interest paid along with the amounts of payment made to the supplier beyond the appointed day during the year	-	-
(c)	Amount of interest due and payable for the period of delay in making the payment (which have been paid but beyond the appointed day during the year) but without adding the interest under MSMED Act, 2006	-	-
(d)	Amount of interest accrued and remaining unpaid as at the end of each accounting year		
	2011-12	72.59	
	2010-11	60.38	60.38
	2009-10	56.36	56.36
	2008-09	31.24	31.24
	2007-08	0.64	0.64
(e)	Amount of further interest remaining due and payable even in the succeeding year, until such date when the interest dues as above are actually paid to the small enterprises	-	-
10	Balances under 'Trade Receivables' , 'Loans & Advances', 'Trade Payables' and 'Other Current Liabilities' are subject to confirmation, although confirmation has been sought in most of the cases.		
11	Previous year's figures have been reclassified wherever necessary to confirm to this year's classification.		

NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS

(₹ In lakhs)

Note No.	Particulars	Year ended 31-03-2012	Year ended 31-03-2011
P1	GROSS REVENUE FROM OPERATIONS *		
	Tractors	14290.27	18188.80
	Food Processing Machinery	465.08	449.44
	Accessories	216.43	225.85
	Sundry jobs and miscellaneous sales	1132.70	1215.06
	Packing / Forwarding charges	7.42	6.85
		<u>16111.90</u>	<u>20086.00</u>
	* Nett of Trade Discount		
P2	JOBS DONE FOR INTERNAL USE		
	Shop manufactured Special Tools	133.88	146.97
		<u>133.88</u>	<u>146.97</u>
P3	OTHER INCOME		
	Servicing income	4.13	2.75
	Recoveries from Staff/Others	322.71	301.40
	Royalties from Subsidiaries	16.35	13.92
	from Others	2.68	3.96
	Rent received	198.01	293.31
	Profit on sale of assets	2.08	14.39
	Interest Income		
	On Bank Deposits	11.13	8.27
	Interest Subsidy on VRS Bonds from GOI	-	342.02
	Interest from subsidiaries on HC Loans	2960.80	3604.91
	Less: Interest Subsidy to Subsidiaries on HC Loans	-	(324.80)
	Interest from Dealers/Others	466.03	337.58
	Dividend from Subsidiaries	14.40	14.40
	Provisions no longer required with drawn	239.48	591.75
	Grant received from GOI	25.65	0.94
	Miscellaneous Income	394.80	270.01
		<u>4658.25</u>	<u>5474.81</u>
P4	COST OF MATERIALS CONSUMED		
	Raw materials and Components		
	Opening Stock	1004.74	1024.34
	Purchases	10996.05	12501.30
		<u>12000.79</u>	<u>13525.64</u>
	Less: Closing Stock	992.92	1004.74
	Cost of Materials Consumed	11007.87	12520.90
	Consumption of Stores, Spares, Tools & Pkg. Matls.*	529.53	643.07
		<u>11537.40</u>	<u>13163.97</u>
	* Includes Stores and Spares parts for:		
	Repairs to Machinery	7.83	5.69

NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS

(₹ In lakhs)

Note No.	Particulars	Year ended 31-03-2012	Year ended 31-03-2011
P5	PURCHASES OF STOCK IN TRADE		
	Purchases of Tractor Spares	580.62	582.02
P6	CHANGES IN INVENTORIES OF WIP, FINISHED GOODS, SIT & SCRAP		
	WORK IN PROGRESS		
	Closing Balance	917.93	1117.04
	Opening Balance	1117.04	898.26
		199.11	(218.78)
	FINISHED GOODS		
	Closing Balance	3354.30	398.73
	Opening Balance	398.73	726.86
		(2955.57)	328.13
	STOCK IN TRADE		
	Closing Balance	387.41	327.94
	Opening Balance	327.94	317.19
		(59.47)	(10.75)
	SCRAP		
	Closing Balance	23.45	44.55
	Opening Balance	44.55	25.19
		21.10	(19.36)
		(2794.83)	79.24
P7	EMPLOYEE BENEFIT EXPENSES *		
	Salaries, Wages and Bonus	5121.67	5210.02
	House Rent Allowance	168.97	186.53
	Gratuity	892.20	1674.81
	Contribution to PF & FPS	544.47	551.42
	Deposit Linked Insurance	14.31	10.85
	Contribution to ESI	1.11	0.05
	Welfare Expenses	755.98	737.35
		7498.71	8371.03
	* Includes		
	Wages for repairs to machinery	300.65	331.65
	Payments relating to Directors (including Chairman & Managing Director)		
	Salaries	7.60	11.79
	Provident Fund	0.50	0.95
	Gratuity	0.88	3.14
	Medical	0.14	0.72

NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS

(₹ In lakhs)

Note No.	Particulars	Year ended 31-03-2012	Year ended 31-03-2011
P8	DEPRECIATION AND AMORTISATION		
	Depreciation	438.84	386.90
	Amortisation of intangible Assets	1.50	-
		440.34	386.90
P9	OTHER EXPENSES		
	Power And Fuel	473.62	444.20
	Rent	40.29	26.48
	Rates and Taxes	54.62	59.00
	Excise Duty	11.14	4.69
	Insurance	19.94	26.20
	Water and Electricity	298.48	318.28
	Repairs to building	22.86	36.14
	Repairs to machinery	15.90	19.96
	Printing and Stationery	28.61	33.56
	Rebate on Sales	209.18	180.48
	Advertisement and Publicity	42.19	78.07
	Auditors Remuneration #	2.98	3.18
	Provision for Doubtful Debts, Loans and Advances	648.95	356.86
	Provision for Non Moving Inventories	82.33	-
	Warranty claims	66.29	157.27
	Loss sustained by PF Trust	3.05	17.34
	Loss on Assets sold	-	0.04
	Amortisation of Special Tools	132.18	173.60
	Obsolete Materials written off	-	51.17
	Bad Debts / Advances written off	0.50	312.63
	Carriage outwards	349.55	443.82
	Travelling Expenses	153.95	172.14
	Miscellaneous Expenses	488.29	527.52
	Less: Recovery of common Expenses from Subsidiary Companies	(395.55)	(458.23)
		2749.35	2984.40
	# As Auditor	1.72	1.72
	For taxation matters	0.25	0.25
	For other services	0.15	0.23
	Reimbursement of expenses	0.32	0.49
	Service tax	0.33	0.28
	Cost Audit Fee & expenses	0.21	0.21

NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS

(₹ In lakhs)

Note No.	Particulars	Year ended 31-03-2012	Year ended 31-03-2011
P10	FINANCE COSTS		
	Interest Expense		
	Government of India Loans	7124.63	5009.90
	Cash Credit loans from Banks	474.41	482.12
	GOI Guaranteed Short Term Loan	-	398.50
	HMT Bonds	662.40	662.40
	GOI Guaranteed HMT Bonds (VRS)	-	802.46
	Inter Corporate Loan	43.00	43.00
	Short Term Loan from Bank	266.32	237.15
	Others	287.43	203.68
	Other Borrowing Cost		
	Finance Charges	13.72	5.58
	Bank / Discounting Charges	82.77	63.01
		8954.68	7907.80
P11	PRIOR PERIOD ADJUSTMENTS (PPA)		
	Expenditure		
	Materials	-	0.11
	Employee benefit expenses	1.12	0.23
	Other Expenses	1.24	0.90
		2.36	1.24
	Less: Income		
	Other Income	0.20	1.54
		2.16	(0.30)
P12	ADDITIONAL INFORMATION TO STATEMENT OF PROFIT AND LOSS		
	1. Sales is net off sales returns		
	Sales returns in respect of Tractors - 30 Nos		
	(Previous year 30 Nos) & Spares	120.22	115.54
	2. Employee Benefit expense include		
	- Provision for Earned Leave encashment made based on	245.73	333.34
	Actuarial valuation of Earned Leave at credit as at the year end.		
	- Provision for Settlement Allowance made based on Actuarial	29.18	37.61
	Valuation		
	3. 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 ₹ 50,000/- per employee based on actuarial valuation by LIC.	892.19	1674.81

NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS

(₹ In lakhs)

Note No.	Particulars	Year ended 31-03-2012	Year ended 31-03-2011
4.	Value of Special Tools individually costing less than ₹750 written off during the year.	83.75	122.92
5.	Revenue expenditure on Research & Development charged to profit & loss account.	187.83	211.10
6.	Consumption of Raw materials and components		
	Steel	320.04	332.15
	Non-ferrous Metals	5.96	0.67
	Ferrous Castings	1131.30	1160.09
	Non-ferrous Castings	2.10	3.00
	Forgings	709.57	725.39
	Standard parts	115.27	132.36
	Components	8723.63	10164.91
	Others	-	2.33
		11007.87	12520.90
7.	Work-in-progress		
	Tractors & its parts	807.99	1012.38
	Food Processing Machines	109.94	104.66
		917.93	1117.04
8.	Information regarding imports, expenditure and earnings in foreign exchange and consumption		
a)	CIF value of imports		
	Raw Materials	-	9.34
	Components and Spare Parts	0.26	11.22
	Capital Goods	-	-
b)	Expenditure in Foreign Currency (on payment basis) on account of royalty, know-how, professional and consultation fees, interest, and other matters;	-	-
c)	Consumption of Raw materials, Components, Stores & Spare parts		
	Imported	14.99	28.11
		0.1%	0.2%
	Indigenous	11522.41	13707.13
		99.9%	99.8%
d)	Earnings in Foreign Exchange		
	Exports		
	Routed through the wholly owned Subsidiary, HMT (International) Ltd.	-	-
	Others	23.00	8.70
9.	Previous year's figures have been reclassified wherever necessary to confirm to this year's classification.		

DISCLOSURE REQUIRED AS PER ACCOUNTING STANDARD - 15 (REVISED) - EMPLOYEE BENEFITS

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 provision for gratuity as on 31-03-2012 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 ₹ 4554.18 lakhs

Defined Benefit Plan

(₹ in lakhs)

	Gratuity (Funded)	
	2011-12	2010-11
1. Reconciliation of changes in respect of obligations		
Present value of obligation as at beginning of year	711.25	698.94
Interest cost	56.90	55.92
Current Service Cost	1.92	1.96
Benefits Paid	124.50	77.99
Actuarial (gain)/loss on obligations	(43.83)	32.42
Present value of obligation as at end of year	601.74	711.25
2 Reconciliation of changes in the fair value of plan assets		
Fair value of plan assets of beginning of year	564.23	520.76
Expected return on plan assets	52.91	48.46
Contributions	122.00	73.00
Benefits paid	124.50	77.99
Actual Gain / (Loss) on Plan assets	-	-
Fair value of plan assets at the end of year	614.64	564.23
3 Reconciliation of fair value of plan assets		
Fair value of plan assets at beginning of year	564.23	520.76
Actual return on plan assets	52.91	48.46
Contributions	122.00	73.00
Benefits Paid	124.50	77.99
Fair value of plan assets at the end of year	614.64	564.23
Funded status	12.90	(147.02)

DISCLOSURE REQUIRED AS PER ACCOUNTING STANDARD - 15 (REVISED)

-EMPLOYEE BENEFITS

(₹ in lakhs)

		Gratuity (Funded)	
		2011-12	2010-11
4 Actuarial Gain/Loss recognized			
Actuarial gain/(loss) for the year - Obligation	43.83	(32.42)	
Actuarial gain/(loss) for the year - plan assets	-	-	
Total (gain)/loss for the year	(43.83)	32.42	
Actuarial gain/(loss) recognised in the year	43.83	(32.42)	
5 Amounts recognised in the Balance Sheet and Profit & Loss A/c			
Present value of obligations as at the end of the year	601.74	711.25	
Fair Value of plan assets as at the end of the year	614.64	564.23	
Funded Status	12.90	(147.02)	
Net Asset/(liability) recognised in balance sheet	12.90	(147.02)	
6 Expenses Recognised in statement of Profit & Loss Account			
Current Service Cost	1.92	1.96	
Interest Cost	56.90	55.92	
Expected return on plan assets	52.91	48.46	
Net Actuarial (gain)/loss recognised in the year	(43.83)	32.42	
Expenses recognised in statement of Profit & Loss	(37.92)	41.84	

DISCLOSURE REQUIRED AS PER ACCOUNTING STANDARD - 17

- SEGMENT REPORTING

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.

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 lakhs)	
		2011-12	2010-11
	Advances given for expenses	2.10	2.05
	Advances reimbursed by the Company	6.71	-
4	Outstanding at the year end		
	- Advance receivable	2.10	6.71

DISCLOSURE REQUIRED AS PER ACCOUNTING STANDARD - 20

- EARNINGS PER SHARE (EPS)

(₹ in Lakhs)

	2011-12	2010-11
Profit/(loss) as per Profit & Loss Account	(8219.82)	(7923.73)
Weighted Average number of Equity Shares (in Nos)	760350140	760350140
Basic and Diluted Earning per Share (₹)	(1.08)	(1.04)
Nominal Value of Shares (₹)	10	10

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 Lakhs)

Opening Balance as on 1.4.2011		142.26
Additions during 2011-12		64.31
Total		<u>206.57</u>
Less: Used during 2011-12		
Utilised	53.51	
Withdrawn	<u>61.00</u>	<u>114.51</u>
Closing Balance as on 31.3.2012		<u>92.06</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

(₹ in Lakhs)

	Year ended 31.03.2012	Year ended 31.03.2011
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) Before Tax and Extra-ordinary items	(8219.82)	(7923.73)
Adjustment for:		
Depreciation & Amortisation	440.34	386.90
Profit on Sale of Fixed Assets (net)	(2.08)	(14.35)
Amortisation of Special Tools	132.18	173.60
Foreign Exchange (net)	-	-
Interest debited (Net)	5420.23	3871.23
Dividend received	(14.40)	(14.40)
Bad debts/advances, obsolete materials written off	0.50	363.80
Provision for slow/non moving inventories, Doubtful debts, Advances and Investments	491.80	6468.57
	(234.89)	4531.89
Operating Profit Before Working Capital Changes	(1751.25)	(3391.84)
Adjustment for:		
(Increase)/Decrease in Trade & Other Receivables	529.78	(493.30)
(Increase)/Decrease in Inventories	(2837.96)	165.74
(Increase)/Decrease in Other Current Assets	(149.87)	(150.54)
Increase/(Decrease) in Trade payables & Other Current Liabilities	206.21	1666.55
	(2251.84)	1188.45
Cash Generated From Operations	(4003.09)	(2203.39)
Direct Taxes paid	-	-
CASH FLOW BEFORE EXTRA-ORDINARY ITEMS	(4003.09)	(2203.39)
Extra Ordinary Items	-	-
NET CASH FROM OPERATING ACTIVITIES	(4003.09)	(2203.39)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(81.07)	(226.58)
Sale proceeds of Fixed Assets	3.86	14.55
Sale of Investments	-	-
Dividend Received	14.40	14.40
(Payment)/Receipt-Subsidiaries	50.35	10481.22
Interest Received	11.13	8.27
NET CASH USED IN INVESTING ACTIVITIES	(1.33)	10291.86

(₹ in Lakhs)

	Year ended 31.03.2012	Year ended 31.03.2011
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Share Capital	-	-
Proceeds from Long Term/Short Term Borrowings	6723.00	15216.45
Repayment of Long Term/Short Term Borrowings	(1158.56)	(21626.00)
Exchange Difference (net)	-	-
Interest Paid	(1581.01)	(1734.57)
NET CASH USED IN FINANCING ACTIVITIES	3983.43	(8144.12)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(20.99)	(55.65)
CASH AND CASH EQUIVALENTS AS AT 1ST APRIL (Opening Balance)	382.86	438.51
CASH AND CASH EQUIVALENTS AS AT 31ST MARCH (Closing Balance)	361.87	382.86
	(20.99)	(55.65)

Note: 1) The above statement has been prepared under the Indirect method as set out in notified AS -3 - Cash Flow Statement

2) The Cash and Cash Equivalents has been considered as per Note No.B15.

For and on behalf of the Board

As per our Report attached
For M/s. S R R K SHARMA ASSOCIATES
CHARTERED ACCOUNTANTS
(ICAI Regn. No. 003790S)

S.G. Sridhar
Chairman &
Managing Director

Harbhajan Singh
Director

U.Jagadish Nayak
General Manager &
Company Secretary

(CA. S R R K SHARMA)
Partner (M.No. 018088)

Place : Bangalore
Date : 30-07-2012

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

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 2012	31st March 2012	31st March 2012	31st March 2012	31st March 2012
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	134.80	(1005.32)	(4614.13)	(22404.35)	(4403.87)
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	2480.19	(9766.55)	(85417.93)	(155263.16)	(38876.13)
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	303.00	594.21	Nil	Nil	Nil

For and on behalf of the Board

S.G. Sridhar
Chairman and Managing Director

Vijay Shankar Madan
Director

U. Jagadish Nayak
General Manager & Company Secretary

CONSOLIDATED FINANCIAL STATEMENTS

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To
The Board of Directors
HMT Limited, Bangalore

1. We have audited the attached consolidated Balance Sheet of HMT Limited, Bangalore and its Subsidiaries as at 31st March 2012, and also the consolidated Statement of Profit and Loss 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 ₹ 466.48 Crores as at 31st March 2012, the total revenues of ₹ 312.10 Crores and net cash inflows amounting ₹ 0.80 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 in accordance with the

Consolidated Financial Statements, notified by the Companies (Accounting Standards) Rules, 2006.

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 292A 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.

6. **No provision for diminution in the value of Long Term Investments in APGPCL, which is other than temporary to an extent of ₹1.63 crores has not been made. Consequently loss is understated and Investments are overstated to that extent.**

7. **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 are not transferred to the buyer. Consequently, the Sales which are in Transit as on March 31, 2012 and whose ownership is still lying with the company are recognized as sales for the**

- financial year 2011-12. This resulted in overstatement of sales by ₹ 6.96 Crores and understatement of loss by ₹ 0.75 Crores.
8. In respect of HMT Machine Tools Limited, a portion of land admeasuring approximately 39 acres is not in possession of the company, the value of such land included in Fixed Assets is not ascertained. Loss, on account of these lands, could not be ascertained.
9. In HMT Machine Tools Ltd, "Sanctioned Rehabilitation Scheme from Board for Industrial and Financial Reconstruction (BIFR)" regarding non recognition of various sanctions, waivers and exemptions from various government agencies and banks in the financial statements for the year ended March 31, 2012 as the stake holders filed an appeal before Appellate Authority for Industrial and Financial Reconstruction against the order of BIFR.
10. We draw your attention to "Amount withheld towards liquidated damages and interest on advances claimed / if claimed on delayed supplies". As per the information and explanations provided, these were withheld by buyers due to delay in supply in accordance with agreement with the parties. This resulted in overstatement of Sundry Debtors and understatement of loss by ₹ 3.31 Crores.
11. 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.
12. PF Trust Loss for the year includes ₹ 0.27 Crores in respect of HMT Watches Limited, Bangalore, as against ₹0.12 Crores as intimated by Provident Fund Trust. This has resulted in overstatement of PF Trust Loss of the company by ₹0.15 Crores and corresponding overstatement of Net Loss for the year.
13. 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.
14. In HMT Watches Limited, the Company has not identified, measured, quantified and disclosed the impairment of assets and its impact in the current financial statement in line with the Accounting Standard 28.
15. Certain balances under Trade payables, other current liabilities, Trade receivables, 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 is not ascertainable.
16. We further report that, there is an understatement of Loss in the consolidated financial statements amounting to ₹5.54 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 ₹410.34 Crores (as against the reported loss of ₹404.80 Crores).

17. Subject to the comments in paras 6 to 16 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 31st March 2012;
 - b) in the case of the consolidated Statement of Profit and Loss 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.

For S. R. R. K. Sharma Associates.,
Chartered Accountants,
(ICAI Regn.No.003790S)

(CA S R R K SHARMA)
Partner
M.No.018088

Place: Bangalore
Date: 18th August , 2012

* * * * *

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 capitalized 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 recognized 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.

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 in Indian rupee by applying to the foreign currency amount the exchange rate existing at the time of the transaction.

The outstanding balances of monetary items relating to foreign currency transactions are stated in Indian rupee by adopting the rate of exchange prevailing at the date of Balance Sheet. Exchange differences consequent to reinstatement are credited / charged to revenue.

The gain or loss in the conversion and / or settlement of liabilities incurred for acquisition of fixed assets is either credited or charged to revenue during the period such gain or loss arise.

In the case of forward exchange contracts, the premium or discount arising at the inception of the contract is accounted for over the life of the contract. Exchange differences on such a contract are recognized in the statement of profit or loss in the reporting period in which the exchange rate changes.

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 contribution 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.

With regard to turnkey projects implemented by the company, warranty provision at the rate of 2 percent of the purchase is provided.

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.

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.

Government Grants

Government Grants are accounted when there is a reasonable certainty of their realization. Grants related to revenue, unless received as compensation for expenses / losses, are recognized as revenue over the period to which these are related on the principle of matching costs to revenue. Grants related to depreciable fixed assets are adjusted against the gross cost of the relevant assets while those related to non-depreciable assets are credited to capital reserve.

Intangible Assets

Intangible assets are capitalized at cost if

- (a) it is probable that the future economic benefits that are attributable to the asset will flow to the company,
- (b) the Company will have control over the assets, and
- (c) the cost of these assets can be measured reliably.

Technical Know-how

Expenditure on Technical Know-how is recognized as an Intangible Asset and amortized on straight line method based on technical assessment for a period not exceeding ten years. The amortization commences when the asset is available for use.

Software

The cost of software internally generated / purchased for internal use which is not an integral part of the related hardware is recognized as an Intangible Asset and is amortized on straight line method based on technical assessment for a period not exceeding ten years.

Research and Development Expenditure

Research Phase:

Expenditure on research including the expenditure during the research phase of Research & Development Projects is charged to profit and loss account in the year of incurrence.

Development Phase:

Expenditure incurred on Development Costs, which relate to Design, Construction and Testing of a chosen alternative for new or improved material, devices, products, processes, systems or services are recognized as an intangible asset. Such Intangible assets are amortized based on technical assessment over a period not exceeding ten years using straight line method.

Impairment of Assets

As at the end of each Balance Sheet date, the carrying amount of assets is assessed as to whether there is any indication of impairment. If the estimated recoverable amount is found less than its carrying amount, the impairment loss is recognized and assets are written down to their recoverable amount.

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 yearend 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.

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.

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2012

(₹ in lakhs)

Particulars	Note No.	As at 31-03-2012	As at 31-03-2011
I EQUITY AND LIABILITIES			
1 SHAREHOLDERS' FUNDS			
(a) Share Capital	B1	76035.01	76035.01
(b) Reserves and Surplus	B2	(384011.48)	(343475.44)
2 SHARE APPLICATION MONEY PENDING ALLOTMENT	B3	44300.00	44300.00
3 NON-CURRENT LIABILITIES			
(a) Long-term Borrowings	B4	124766.34	96050.90
(b) Deferred Tax Liabilities (Net)	B5	115.47	113.54
(c) Long-term Provisions	B6	18382.29	17318.42
4 CURRENT LIABILITIES			
(a) Short-term Borrowings	B7	12155.51	13677.15
(b) Trade Payables	B8	9141.71	9643.79
(c) Other Current Liabilities	B9	150261.03	132622.62
(d) Short-term Provisions	B10	11939.64	13310.15
TOTAL		63085.52	59596.14
II ASSETS			
1 NON-CURRENT ASSETS			
(a) Fixed Assets			
(i) Tangible Assets	B11	13690.28	14575.46
(ii) Intangible Assets	B11	26.08	-
(iii) Capital Work-in-Progress		48.90	70.59
(iv) Machinery & Equipment in transit & under inspection/erection		-	528.36
(b) Non-Current Investments	B12	232.08	232.08
(c) Long Term Loans & Advances	B13	429.23	242.40
(d) Other Non Current Asset	B14	-	3.67
2 CURRENT ASSETS			
(a) Inventories	B15	18721.79	14929.82
(b) Trade Receivables	B16	14221.95	12912.39
(c) Cash and Cash Equivalents	B17	7706.17	7645.86
(d) Short-term Loans and Advances	B18	7066.37	7829.60
(e) Other Current Assets	B19	942.67	625.91
TOTAL		63085.52	59596.14
See accompanying notes to the financial statements.			
Additional Information to Balance Sheet	B20		
Accounting Policies form part of the Accounts			

For and on behalf of the Board

As per our Report attached
For M/s. S R R K SHARMA ASSOCIATES
CHARTERED ACCOUNTANTS
(ICAI Regn. No. 003790S)

S.G. Sridhar
Chairman and
Managing Director

Vijay Shankar Madan
Director

U.Jagadish Nayak
General Manager &
Company Secretary

(CA. S R R K SHARMA)
Partner (M.No. 018088)

Place : Bangalore
Date : 17-08-2012

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH 2012

(₹ in lakhs)

Particulars	Note No.	Year ended 31-03-2012	Year ended 31-03-2011
REVENUE			
I Gross Revenue from Operations	P1	44967.16	45076.93
Less: Excise Duty		2626.81	2173.26
Net Revenue from Operations		42340.35	42903.67
II Other Income	P3	5375.98	5118.20
III Total Revenue (I + II)		47716.33	48021.87
IV EXPENSES			
Cost of Materials Consumed	P4	23112.30	21313.39
Purchase of Stock in Trade	P5	1784.91	1575.57
Changes in Inventories of Finished Goods, SIT, WIP & Scrap	P6	(3618.02)	1693.58
Employee Benefits Expense	P7	27322.21	31070.80
Depreciation & Amortisation	P8	1579.43	1542.68
Other Expenses	P9	8055.04	8866.98
Finance Costs	P10	28398.08	23177.35
Less: Jobs done for Internal use	P2	(353.86)	(365.99)
Total Expenses		86280.09	88874.36
V Profit / (Loss) Before Exceptional, Extraordinary items, Adjustment for Prior Period Items and Tax (III - IV)		(38563.76)	(40852.49)
VI Exceptional Items - (Income) / Expenditure	P11	2370.01	7807.18
VII Prior Period Adjustments	P12	38.69	585.20
VIII Profit / (Loss) Before Extra ordinary Items and Tax (V - VI - VII)		(40972.46)	(49244.87)
IX Extra ordinary Items	P13	492.40	-
X Profit / (Loss) Before Tax (VIII - IX)		(40480.06)	(49244.87)
XI Tax Expense			
(1) Current Tax		55.00	8.00
(2) Deferred Tax		1.92	2.65
(3) Tax provision of earlier years withdrawn		(17.81)	-
XII Profit / (Loss) for the Period (X - XI)		(40519.17)	(49255.52)
XIII Earnings Per Equity Share:			
Basic / Diluted Earnings per share of ₹ 10/- each (in Rupees)		(5.33)	(6.48)
No. of Equity Shares (Weighted Average Basis)		760350140	760350140
See accompanying notes to the financial statements. Additional Information to Statement of Profit and Loss Accounting Policies form part of the Accounts	P14		

For and on behalf of the Board

As per our Report attached
For M/s. S R R K SHARMA ASSOCIATES
CHARTERED ACCOUNTANTS
(ICAI Regn. No. 003790S)

S.G. Sridhar
Chairman &
Managing Director

Vijay Shankar Madan
Director

U.Jagadish Nayak
General Manager &
Company Secretary

(CA. S R R K SHARMA)
Partner (M.No. 018088)

Place : Bangalore
Date : 17-08-2012

NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET

(₹ in lakhs)

Note No	Particulars	As at 31-03-2012	As at 31-03-2011
B1	SHARE CAPITAL		
	AUTHORISED		
	100,00,00,000 (Previous year 100,00,00,000) Equity Shares of ₹ 10/- each	100000.00	100000.00
	4,50,00,000 (Previous year 4,50,00,000) Preference Shares of ₹ 100/- each	45000.00	45000.00
		<u>145000.00</u>	<u>145000.00</u>
	ISSUED, SUBSCRIBED & PAID UP		
	76,03,50,140 (Previous 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 alloted as fully paid up for consideration other than cash}	76035.01	76035.01
	75,18,53,740 i.e., 98.88% (Previous year 75,18,53,740 i.e., 98.88%) Equity Shares of ₹ 10/- each are held by the President of India	<u>76035.01</u>	<u>76035.01</u>

B2 RESERVES AND SURPLUS

Particular	As at 01-04-2011	Additions	Withdrawals	As at 31-03-2012
Capital Reserve*	2270.82	-	-	2270.82
General Reserve	16001.97	118.00	-	16119.97
Balance in Statement of Profit & Loss	(361748.23)	(40654.04)	-	(402402.27)
	<u>(343475.44)</u>	<u>(40536.04)</u>	<u>-</u>	<u>(384011.48)</u>

*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.

B3 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. 44300.00 44300.00

NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2012

(₹ in lakhs)

Note No	Particulars	As at 31-03-2012	As at 31-03-2011
B4	LONG TERM BORROWINGS		
	SECURED		
	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. Amount of continuing default ₹ 6050.00 lakhs (<i>Previous year ₹ 6050.00 lakhs</i>)	6050.00	6050.00
		<u>6050.00</u>	<u>6050.00</u>
	UNSECURED		
	Loans from Government of India with interest @ 3.5% to 15.5%, repayable in 1-5 equal annual installments from the date of drawal of loan	118666.34	89865.90
	Amount of continuing default ₹ 62139.67 lakhs (<i>Previous year ₹ 43803.83 lakhs</i>) and the earliest date of continuing default is 07-04-2005.		
	Non Convertible 5 Year Bonds - 1999-2000 carrying interest @16.5% redeemable at par, the earliest date of redemption being 22.06.1999. Amount of continuing default ₹ 50 lakhs (<i>Previous year ₹ 50 lakhs</i>)	50.00	50.00
	Application Money received against issue of privately placed Secured Non Convertible Bonds carrying interest @11.9% redeemable at par, secured by Residual charge on the immovable assets of HMT Bearings Ltd and Corporate Guarantee by HMT Limited).	-	85.00
		<u>118716.34</u>	<u>90000.90</u>
		<u>124766.34</u>	<u>96050.90</u>
B5	DEFERRED TAX LIABILITIES (NET)		
	Deferred Tax Liability arising on account of Depreciation	115.47	113.54
		<u>115.47</u>	<u>113.54</u>
B6	LONG TERM PROVISIONS		
	Gratuity	15871.49	14477.32
	Earned Leave Encashment	1850.69	2061.89
	Settlement Allowance	660.11	779.21
		<u>18382.29</u>	<u>17318.42</u>

NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET

		(₹ in lakhs)	
Note No	Particulars	As at 31-03-2012	As at 31-03-2011
B7	SHORT TERM BORROWINGS		
	SECURED		
	Cash Credit Loans secured by hypothecation of inventories and trade receivables 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.	8200.42	10325.73
	Short Term Loan secured by hypothecation of inventories and trade receivables 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.	2764.25	2507.15
		<u>10964.67</u>	<u>12832.88</u>
	UNSECURED		
	Short Term Loan from Banks	1190.84	844.27
		<u>1190.84</u>	<u>844.27</u>
		<u>12155.51</u>	<u>13677.15</u>
B8	TRADE PAYABLES		
	Acceptances	723.85	343.11
	Dues towards Goods purchased & Services Received	7531.13	8353.45
	Dues to Micro & Small Enterprises	886.73	947.23
		<u>9141.71</u>	<u>9643.79</u>
B9	OTHER CURRENT LIABILITIES		
	Current maturities of long-term debt		
	Loans from Government of India	16841.88	28683.01
	Interest accrued and due on borrowings		
	3 year HMT Bonds 2001	1730.75	1730.75
	5 year Bonds 1999	22.17	22.17
	8 year 8.5% HMT Bonds 2002	-	519.69
	Secured Non convertible Bonds	-	62.18
	Short Term loan from Bank	-	22.01
	Loans from Government of India	81211.21	58158.94
	Interest accrued but not due on borrowings		
	Government of India Loan	13962.23	12017.31
	Advance received against sale of land	889.62	1379.22
	Advance received against sales	6670.64	3478.79
	Sundry Creditors - other dues	7520.12	7067.29
	Other liabilities	21412.41	19481.26
		<u>150261.03</u>	<u>132622.62</u>
B10	SHORT TERM PROVISIONS		
	Gratuity	2637.22	3027.09
	Leave Encashment	655.32	874.12
	Settlement Allowance	175.04	174.72
	Contingencies	635.23	668.94
	Taxation	247.51	236.60
	Warranty	272.09	347.38
	Others	7317.23	7981.30
		<u>11939.64</u>	<u>13310.15</u>

NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET
B11 FIXED ASSETS

Particulars	Gross Block					Accumulated Depreciation			Net Block	
	Balance as at 01-04-2011	Additions	Deductions/ Adjustments	Balance as at 31-03-2012	Balance as at 01-04-2011	Deductions/ Adjustments during the year	Depreciation during the year	Balance as at 31-03-2012	Balance as at 31-03-2012	Balance as at 01-04-2011
I Tangible Assets										
Land & Land Development	659.90	-	-	659.90	-	-	-	-	659.90	659.90
Land-Leasehold	26.89	-	0.16	26.73	8.06	-	3.63	11.69	15.04	18.83
Buildings	6848.81	27.30	-	6876.11	4458.85	-	116.51	4574.56	2301.55	2390.76
Plant and Machinery	60552.84	651.89	130.01	61074.72	49360.35	(105.77)	1411.74	50666.32	10408.40	11192.49
Furniture, Fittings										
& Office Appliances	2071.79	33.87	22.03	2083.63	1783.94	(20.62)	40.68	1804.00	279.63	287.85
Transport Vehicles	271.35	5.69	5.26	271.78	245.72	(5.07)	5.37	246.02	25.76	25.89
II Intangible Assets										
Design & Prototype	-	27.58	-	27.58	-	-	1.50	1.50	26.08	-
Total	70431.58	746.33	157.46	71020.45	55856.12	(131.46)	1579.43	57304.09	13716.36	14575.46
Previous Year	68942.94	1796.49	307.85	70431.58	54552.76	(239.32)	1542.68	55856.12	14575.46	

Note: 1) Quantum of loss due to Impairment of Assets as per AS-28 - Nil

2) Additions includes ₹ 31.85 lakhs borrowing cost capitalised in respect of assets put to use during the year to confirm accounting policy of the company as against charge to revenue in the recent earlier years.

LAND

- The Company is in possession of gift land located at Bangalore, Pinjore, Kalamassery, Hyderabad measuring 267.49 acres, 822.67 acres, 378.85 acres, 888.05 acres, nominally valued at ₹ 1/-, gifted by the respective State Governments. The mutation of title of land in the name of the company is yet to be done. Out of the land located at Bangalore 7 acres has been encroached upon and the matter has been taken up with the Govt. of Karnataka to shift the unauthorised occupants.
- The Company is in possession of leasehold land measuring 30 acres at Aurangabad out of which 5 acres of land has been encroached upon. The unamortised value of this land amounting to ₹ 3.39 lakhs as on 31.3.2012 has been fully charged off during the year 2011-12, leaving a balance of ₹ 1/-. Further, legal action is being pursued for restoration of the encroached land.

NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET

- 3 In respect of lands at Hyderabad, an area admeasuring 28.40 acres was leased to various 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. yards of land, for which lease deed was executed and agreed to release another two acres of land to AP Postal Department in Hyderabad, the execution of which is pending. The Company has obtained stay from the Andhra Pradesh High Court, against repossession of 106 acres and 35 guntas of land by the Government of Andhra Pradesh. No finality has been 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 In respect of lands at Pinjore, Haryana, the State Government has issued an order for resumption of 446 acres of unutilised land, against which the Company has obtained a stay from the High Court of Punjab & Haryana against the said resumption order and the same is continuing. The Company has agreed and transferred about 5 acres of land to Haryana Irrigation department at their request for construction of Kaushalya Dam and compensation for the same is yet to be recovered pending mutation of title of land in Company's name, which is a subject matter of legal proceedings before the Punjab & Haryana High Court. Further, National Highways Authority of India has acquired about 11.73 acres of land for road widening project and compensation for the acquired land is awaited as the matter regarding mutation of title of land in Company's name is pending before the Punjab & Haryana High Court.
- 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 HMT Machine Tools Ltd (HMT MTL) by the Govt. of Andhra Pradesh. HMT MTL has filed Writ petition No.20012 of 2003 on the file of Hon'ble High Court of AP against the Govt of Andhra Pradesh and Others wherein HMT MTL has sought directions for demarking 195.33 acres of land for handing over the same to HMT MTL. During recently conducted survey by HMT MTL, it has come to the notice that approximately 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 no. 41/86/RW/TPS/GHMC/SC/2007 dated 01-12-2007 to take over 238.86 sq. yards of land for road widening programme undertaken by them out of the 3000 sq. yards available at Kavadiyada, Secunderabad without any compensation. HMT MTL had protested for this and raised a demand for compensation for 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 HMT Machine Tools Ltd, Plant & Machinery includes 12 items of Fixed Assets identified as obsolete and for disposal, the net book value of which is ₹ 18,09,749/ Further though Forge & Foundry division was closed, depreciation of ₹ 3,07,620/- is provided during the year.

NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET

		(₹ in lakhs)	
Note No	Particulars	As at 31-03-2012	As at 31-03-2011
B12	NON CURRENT INVESTMENTS		
	TRADE INVESTMENTS		
	OTHER INVESTMENTS (UNQUOTED) - AT COST		
	30,00,000 (Previous year 30,00,000) Ordinary Shares of Naira 1 each fully paid up in Nigeria Machine Tools Ltd, Nigeria.	171.55	171.55
	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
	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	217.08	217.08
	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>424.47</u>	<u>424.47</u>
	Less: Provision for diminution in value of Investment		
	Nigeria Machine Tools Ltd.,	171.55	171.55
	Nigeria Gujarat State Machine Tools Corporation Ltd, Bhavnagar	20.84	20.84
		<u>192.39</u>	<u>192.39</u>
		<u>232.08</u>	<u>232.08</u>
B13	LONG TERM LOANS AND ADVANCES		
	Capital Advance		
	Unsecured Considered Good	429.23	242.40
	Unsecured Considered Doubtful	8.42	7.26
		<u>437.65</u>	<u>249.66</u>
	Less: Provision for Doubtful Advance	8.42	7.26
		<u>429.23</u>	<u>242.40</u>
B14	OTHER NON CURRENT ASSETS		
	Technical know how (not written off)	-	3.67
		<u>-</u>	<u>3.67</u>
B15	INVENTORIES		
	Raw Materials and components	4210.56	4373.35
	Material and components in transit	413.97	259.80
	Work-in-progress	7701.71	7473.77
	Finished goods	8160.96	4786.25
	Stock in Trade	475.84	392.49
	Stores and spares	1634.56	1560.88
	Tools and instruments	899.14	956.09
	Scrap	145.33	213.31
		<u>23642.07</u>	<u>20015.94</u>
	Less: Provision for Non-moving Inventories	4920.28	5086.12
		<u>18721.79</u>	<u>14929.82</u>

NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET

(₹ in lakhs)

Note No	Particulars	As at 31-03-2012	As at 31-03-2011
B16	TRADE RECEIVABLES*		
	UNSECURED		
	Trade receivables outstanding for a period less than six months from the date they are due for payment:		
	Considered good	10704.74	9248.54
	Trade receivables outstanding for a period exceeding six months from the date they are due for payment:		
	Considered good	3517.21	3663.85
	Considered doubtful	12577.04	12059.24
		26798.99	24971.63
	Less: Provision for doubtful debts	12577.04	12059.24
		14221.95	12912.39
	*Debts due by firms or Private Companies in which any Director, officer is a partner or a director or a member	-	-
B17	CASH AND CASH EQUIVALENTS		
	Cash and Cheques on hand	148.95	119.00
	Balance with Banks in Current account	801.03	852.31
	Balance with Banks in Deposit account*	6754.98	6673.34
	With Post Office in Savings Bank Accounts**	1.21	1.21
		7706.17	7645.86
	* Includes		
	Deposits with maturity of 3 months or less	158.41	200.5
	Deposits with more than 12 months maturity	769.84	543.46
	Deposits held as margin money or security against guarantees & other commitments	2016.60	1991.23
	** Pass Books deposited with Central Excise Authorities.		

NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET

(₹ in lakhs)

Note No	Particulars	As at 31-03-2012	As at 31-03-2011
B18	SHORT TERM LOANS AND ADVANCES*		
	SECURED, CONSIDERED GOOD:		
	Advances	10.57	19.77
		<u>10.57</u>	<u>19.77</u>
	UNSECURED, CONSIDERED GOOD:		
	ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED		
	UNSECURED		
	Considered Good	5611.87	6395.69
	Considered Doubtful	988.72	971.90
		<u>6600.59</u>	<u>7367.59</u>
	Less: Provision for doubtful loans and advances	988.72	971.90
		<u>5611.87</u>	<u>6395.69</u>
	OTHER ADVANCES		
	UNSECURED CONSIDERED GOOD		
	Balance with Collectors of Customs, Central Excise, etc.,	83.11	75.57
	Deposits	915.61	929.99
	Advance Income Tax/TDS Receivable	390.01	346.02
	Advance Fringe Benefit Tax	55.20	62.56
		<u>1443.93</u>	<u>1414.14</u>
		<u>7066.37</u>	<u>7829.60</u>
	 *Debts due by firms or Private Companies in which any Director, officer is a partner or a director or a member.	 -	 -
B19	OTHER CURRENT ASSETS		
	Special Tools	361.28	313.75
	Interest on Trade Receivable	5491.49	5007.48
	Less: provision for interest on Trade Receivable	4910.10	4695.32
		<u>581.39</u>	<u>312.16</u>
		<u>942.67</u>	<u>625.91</u>

NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET

(₹ in lakhs)

Note No	Particulars	As at 31-03-2012	As at 31-03-2011
B20	Additional Information to 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	509.01	509.00
ii)	Sales Tax	464.09	549.50
iii)	Customs Duty	212.29	212.29
iv)	Property Tax	1323.78	1131.95
v)	Others	40.90	40.90
B.	Employee related claims relating to Lockouts, Back wages Incentive & Annual bonus, etc., pending adjudication, to the extent ascertainable	1401.40	1089.69
C.	Others		
	Various cases relating to defective product, accident causing injuries to third parties, claims relating to supply of materials etc.	4227.45	4716.56
1.2	Guarantees/Counter Guarantees issued	3254.87	2741.27
1.3	Balance arrears of 1997 pay/wage revision HMT(I) Ltd	-	311.43
1.4	Additional Bonus, if any, for the year 1985-86 (Para 10.1)	7.31	7.65
1.5	Liability towards interest, penalty/damages as per 7Q and 14B of Employees Provident Fund and Miscellaneous Provisions Act, 1952	5207.09	3403.31
1.6	Non receipt of related Forms against levy of concessional Sales Tax The uncertainties relating to outflow and the possibility of any reimbursement of the above is not ascertainable	2023.45	1685.03
2	Estimated amount of contracts remaining to be executed on capital account and not provided for	1158.04	1366.86
3	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%
4	The GOI had released a Plan Assistance of ₹ 200 lakhs to the Company during March 2007 to meet the Capital Expenditure of HMT Watches Ltd, the wholly owned Subsidiary, in the form of Equity (₹ 100 lakhs) & Loan (₹ 100 lakhs). 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 ₹ 200 lakhs. Accordingly,		

NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET

(₹ in lakhs)

Note No	Particulars	As at 31-03-2012	As at 31-03-2011
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the Company has refunded the Loan amount of ₹ 100 lakhs 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 (₹100 lakhs) 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.

5 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 ₹ 44300 lakhs 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.

6 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.**7 Deferred Tax Asset/Liability**

Accounting for Taxes as per Accounting Standard-22. Deferred Tax balance as at March 31, 2012 comprising the timing difference between the profit as per financial statements and as per Income Tax is made up of:

NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET

(₹ in lakhs)

Note No	Particulars	As at 31-03-2012	As at 31-03-2011
	Deferred Tax Assets (Net) Opening Balance	(113.55)	(110.89)
	On Depreciation to Fixed Assets	(1.92)	(2.66)
	Deferred Tax Assets (Net) Closing Balance	(115.47)	(113.55)
8	Inventories include		
8.1	Excise Duty paid / payable on Closing Stock of Finished Goods & Scrap. However, this has no effect on the working results of the Company	552.46	369.99
8.2	Include usable slow/non moving and surplus stores and materials / work-in-progress / stock-in trade.	990.83	630.45
8.3	Some of the physical verification certificates in respect of stocks at showrooms / exhibitions / on consignment are awaited.		
9	Trade Receivables include		
9.1	Dues towards erection and commissioning for a period exceeding one year	242.13	228.49
9.2	Amounts withheld towards liquidated damages and interest on advances claimed/if claimed on delayed supplies.	330.52	516.60
9.3	Dues from parties against whom cases have been filed before various Courts which are pending.	3430.00	3430.42
10	Advances include		
10.1	Amounts recoverable from employees advances, bonus etc pending adjudication / negotiations	34.49	36.39
10.2	Adhoc payments to employees towards Wage/Salary, DA arrears, if any, pending adjustment & provision to this extent has been made in the accounts	4047.37	4450.25
11	Disclosure regarding dues to Micro & Small Enterprises based on the information available with the company		
(a)	Dues to Micro & Small Enterprises remaining unpaid as at the end of the year		
(i)	Principle	886.73	947.23
(ii)	Interest due thereon	221.21	152.30
(b)	Amount of interest paid along with the amounts of payment made to the supplier beyond the appointed day during the year	-	1.48
(c)	Amount of interest due and payable for the period of delay in making the payment (which have been paid but beyond the appointed day during the year) but without adding the interest under MSMED Act, 2006	-	-

NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET

(₹ in lakhs)

Note No	Particulars	As at 31-03-2012	As at 31-03-2011
	(d) Amount of interest accrued and remaining unpaid as at the end of each accounting year		
	2011-12	72.59	-
	2010-11	60.38	63.44
	2009-10	56.36	56.98
	2008-09	31.24	31.24
	2007-08	0.64	0.64
	(e) Amount of further interest remaining due and payable even in the succeeding year, until such date when the interest dues as above are actually paid to the small enterprises	-	-
12	Other liabilities include unspecified/excess credits in bank accounts	17.73	19.95
13	No provision has been made towards GOI counter guarantee fee in one of the units of HMT MTL.	-	98.41
14	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 31.3.2011, from the various stake holders as envisaged in the DRS, approved by BIFR.		
15	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.		
16	Balances under 'Trade Receivables', 'Loans & Advances', 'Trade Payables' and 'Other Current Liabilities' are subject to confirmation, although confirmation has been sought in most of the cases.		
17	Previous year's figures have been reclassified wherever necessary to confirm to this year's classification.		

NOTES FORMING PART OF CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(₹ in lakhs)

Note No	Particulars	Year ended 31-03-2012	Year ended 31-03-2011
P1	REVENUE FROM OPERATIONS*		
	INLAND		
	TRACTOR AND OTHERS		
	Tractors	14290.27	18188.80
	Food Processing Machinery	465.08	449.44
	Accessories	216.43	225.85
	Sundry jobs and miscellaneous sales	1132.70	1215.06
	Packing / Forwarding charges	7.42	6.85
		<u>16111.90</u>	<u>20086.00</u>
	MACHINE TOOLS		
	Machine Tools	18582.48	16804.46
	Accessories	2807.78	1631.02
	Sale of services	164.52	165.88
	Sundry jobs and miscellaneous sales	2363.15	2361.83
	Packing/forwarding charges	128.20	104.98
		<u>24046.13</u>	<u>21068.17</u>
	WATCHES		
	Watches	831.68	757.37
	Watches issued to employees/others	0.01	0.09
	Sale of services	6.36	7.87
	Sundry jobs and miscellaneous sales	145.99	88.88
	Packing/forwarding charges	48.42	45.72
		<u>1032.46</u>	<u>899.93</u>
	BEARINGS		
	Ball & Roller Bearings	1602.37	1148.32
		<u>1602.37</u>	<u>1148.32</u>
	EXPORTS		
	Sales & Commission	203.64	702.26
	Technical Services	9.62	37.49
	Project Works	1961.04	1134.76
		<u>2174.30</u>	<u>1874.51</u>
		<u>44967.16</u>	<u>45076.93</u>

* Nett of Trade Discount

NOTES FORMING PART OF CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(₹ in lakhs)

Note No	Particulars	Year ended 31-03-2012	Year ended 31-03-2011
P2	JOBS DONE FOR INTERNAL USE		
	Capital Works	56.61	130.13
	Shop manufactured Special Tools	297.25	235.86
		<u>353.86</u>	<u>365.99</u>
P3	OTHER INCOME		
	Recoveries from Staff/Others	479.15	469.06
	Royalties	3.90	5.05
	Rent received	200.56	293.31
	Profit on sale of assets	76.74	76.71
	Interest Income		
	On Bank Deposits	649.16	475.87
	Interest Subsidy on VRS Bonds from GOI	-	342.02
	Interest from Dealers/Others	524.99	358.47
	Dividend from Subsidiaries	14.40	14.40
	Provisions no longer required withdrawn	1701.08	1507.33
	Grant received from GOI	25.65	34.06
	Miscellaneous Income	1700.35	1541.92
		<u>5375.98</u>	<u>5118.20</u>
P4	COST OF MATERIALS CONSUMED		
	Raw materials and Components		
	Opening Stock	4373.35	4513.82
	Purchases	17980.01	17563.42
		<u>22353.36</u>	<u>22077.24</u>
	Less: Closing Stock	4210.56	4373.35
	Cost of Materials Consumed	<u>18142.80</u>	<u>17703.89</u>
	Consumption of Stores, Spares, Tools & Pkg. Matls.*	4969.50	3609.50
		<u>23112.30</u>	<u>21313.39</u>
	* Includes Stores and Spares parts for:		
	Repairs to Machinery	56.20	51.78
	Repairs to Building	6.38	6.05
P5	PURCHASES OF STOCK IN TRADE		
	Purchases of Stock in Trade	1784.91	1575.57
		<u>1784.91</u>	<u>1575.57</u>

NOTES FORMING PART OF CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(₹ in lakhs)

Note No	Particulars	Year ended 31-03-2012	Year ended 31-03-2011
P6	CHANGES IN INVENTORIES OF WIP, FINISHED GOODS, SIT & SCRAP		
	WORK IN PROGRESS		
	Closing Balance	7701.71	7473.77
	Opening Balance	7473.77	7794.28
		(227.94)	320.51
	FINISHED GOODS		
	Closing Balance	8160.97	4786.25
	Opening Balance	4786.25	6177.48
		(3374.72)	1391.23
	STOCK IN TRADE		
	Closing Balance	475.84	392.49
	Opening Balance	392.49	433.84
		(83.35)	41.35
	SCRAP		
	Closing Balance	145.32	213.31
	Opening Balance	213.31	153.80
		67.99	(59.51)
		(3618.02)	1693.58
P7	EMPLOYEE BENEFIT EXPENSES *		
	Salaries, Wages and Bonus	18515.13	19425.58
	House Rent Allowance	703.78	805.81
	Gratuity	3295.02	5860.67
	Contribution to PF & FPS	1982.75	2047.28
	Deposit Linked Insurance	62.56	44.00
	Contribution to ESI	16.53	2.43
	Welfare Expenses	2746.44	2885.03
		27322.21	31070.80
	* Includes		
	Wages for Repairs to Machinery	756.78	935.93
	Wages for Repairs to Building	57.55	105.30
P8	DEPRECIATION AND AMORTISATION		
	Depreciation	1577.93	1542.68
	Amortisation of Intangible Assets	1.50	-
		1579.43	1542.68
P9	OTHER EXPENSES		
	Power and Fuel	1497.38	1399.47
	Rent	128.99	108.30
	Rates and Taxes	197.88	357.39
	Excise Duty	198.08	98.01
	Insurance	47.38	53.70
	Water and Electricity	452.77	479.91
	Repairs to building	51.10	72.64
	Repairs to machinery	101.33	88.84
	Printing and Stationery	75.31	84.16

NOTES FORMING PART OF CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(₹ in lakhs)

Note No	Particulars	Year ended 31-03-2012	Year ended 31-03-2011
	Rebate on Sales	229.49	214.50
	Advertisement and Publicity	57.84	93.04
	Training	80.13	51.69
	Auditors Remuneration #	10.72	10.86
	Other Agents Commission	0.57	1.27
	Provision for Doubtful Debts, Loans and Advances	1018.33	1299.76
	Provision for Non Moving Inventories	210.29	187.63
	Provision for Contingencies	247.15	152.46
	Warranty claims	212.50	300.34
	Loss sustained by PF Trust	345.38	507.81
	Loss on Assets sold	1.35	1.98
	Amortisation of Special Tools	319.64	294.81
	Amortisation of Technical Assistance Fee	3.67	2.12
	Reconditioning Expenses	0.13	0.43
	Obsolete Materials written off	-	51.17
	Bad Debts / Advances written off	2.54	313.22
	Carriage outwards	402.58	516.71
	Travelling Expenses *	504.97	529.90
	Miscellaneous Expenses **	1657.54	1594.86
		8055.04	8866.98
#	As Auditor	6.42	6.45
	For taxation matters	2.27	2.20
	For other services	0.15	0.45
	Reimbursement of expenses	0.83	0.85
	Service tax	0.69	0.55
	Cost Audit Fee & expenses	0.36	0.36
P10	FINANCE COSTS		
	Interest Expense		
	Government of India Loans	24965.32	19038.83
	Cash Credit loans from Banks	1561.86	1261.12
	GOI Guaranteed Short Term Loan	-	398.50
	HMT Bonds	683.57	684.24
	GOI Guaranteed HMT Bonds (VRS)	-	802.46
	Short Term Loan from Bank	266.32	237.15
	Others	504.83	525.55
	Other Borrowing Cost		
	Finance Charges	13.72	5.58
	Bank / Discounting Charges	404.41	245.75
	(Gain) / Loss on Foreign currency transactions	(1.95)	(21.83)
		28398.08	23177.35

NOTES FORMING PART OF CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(₹ in lakhs)

Note No	Particulars	Year ended 31-03-2012	Year ended 31-03-2011
P11	EXCEPTIONAL ITEMS		
	VRS Compensation	2628.57	7807.18
	Way leaving charges from BWSSB	(258.56)	-
		2370.01	7807.18
P12	PRIOR PERIOD ADJUSTMENTS (PPA)		
	Expenditure		
	Materials	4.67	11.11
	Employee benefit expenses	0.73	0.23
	Depreciation	-	1.71
	Other Expenses	101.89	597.23
		107.29	610.28
	Less: Income		
	Other Income	68.60	25.08
		38.69	585.20
P13	EXTRA ORDINARY ITEMS		
	Profit on sale of land	492.40	-
P14	Additional Information to Statement of Profit and Loss		
1	Sales is net off sales returns		
	Sales returns in respect of		
	a) Tractors & Spares	120.22	115.54
	b) Machine Tools	16.03	2.33
2	Employee Benefit expense include		
	a) Provision for Earned Leave encashment made based on Actuarial valuation of Earned Leave at credit as at the year end.	453.32	815.65
	b) Provision for Settlement Allowance made based on Actuarial Valuation	42.34	107.97
	c) 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	283.27	329.20
3	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].	3295.02	5857.43
4	Value of Special Tools individually costing less than ₹750 written off during the year.	83.79	123.32

NOTES FORMING PART OF CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(₹ in lakhs)

Note No	Particulars	Year ended 31-03-2012	Year ended 31-03-2011
5	Revenue expenditure on Research & Development charged to profit & loss account.	426.09	454.64
6	Consumption of Raw materials and components		
	Steel	1177.27	983.20
	Non-ferrous Metals	24.22	55.63
	Ferrous Castings	1844.58	2130.55
	Non-ferrous Castings	83.56	64.00
	Forgings	782.48	789.18
	Standard parts	2339.07	1368.37
	Components	11661.02	11635.99
	Others	230.60	676.97
		18142.80	17703.89
7	Previous year's figures have been reclassified wherever necessary to confirm to this year's classification.		

PRINCIPLES OF CONSOLIDATION OF FINANCIAL STATEMENTS

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	
		2011-12	2010-11
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.

DISCLOSURE REQUIRED AS PER ACCOUNTING STANDARD - 15 (REVISED) - EMPLOYEE BENEFITS

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 ₹ 50,000/- per eligible employee. In respect of HMT Bearings Ltd. and HMT (International) Ltd the Group Gratuity Policy has been taken for 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 provision for gratuity as on 31-03-2012 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 ₹ 18508.71 lakhs

Defined Benefit Plan

(₹ in lakhs)

	Gratuity (Funded)	
	2011-12	2010-11
1 Reconciliation of changes in respect of obligations		
Present value of obligation as at beginning of year	2585.61	3166.55
Interest cost	206.85	253.33
Current Service Cost	21.54	11.11
Benefits Paid	389.42	909.14
Actuarial (gain)/loss on obligations	95.34	63.78
Present value of obligation as at end of year	2519.92	2585.63
2 Reconciliation of changes in the fair value of plan assets		
Fair value of plan assets of beginning of year	2455.31	2652.50
Expected return on plan assets	229.91	234.45
Contributions	389.17	477.50
Benefits paid	389.42	909.14
Actual Gain / (Loss) on Plan assets	-	-
Fair value of plan assets at the end of year	2684.97	2455.31
3 Reconciliation of fair value of plan assets		
Fair value of plan assets at beginning of year	2455.31	2652.50
Actual return on plan assets	229.91	234.45
Contributions	389.17	477.50
Benefits Paid	389.42	909.14
Fair value of plan assets at the end of year	2684.97	2455.31
Funded status	165.05	(130.32)

DISCLOSURE REQUIRED AS PER ACCOUNTING STANDARD - 17

- SEGMENT REPORTING

I Primary Segment information:						(₹ in lakhs)
Particulars	Machine Tools	Watches	Tractors	Bearings	Exports	Total
1 Segment Revenue						
- External Turnover	24046.13	1032.46	16111.90	1602.37	2174.30	44967.16
- Intra Segment Turnover	-	-	-	-	-	-
- Inter Segment Turnover	-	-	-	-	-	-
Gross Turnover	24046.13	1032.46	16111.90	1602.37	2174.30	44967.16
Less: Excise Duty	2195.55	106.63	155.42	169.21	0.00	2626.81
Net Turnover	21850.58	925.83	15956.48	1433.16	2174.30	42340.35
2 Segment Result before interest						
PPA, EOI & Taxes	(3248.42)	(7926.23)	737.02	154.52	117.43	(10165.68)
Interest	1531.03	16801.90	8954.68	1166.32	(55.85)	28398.08
Profit before Exceptional, Extra Ordinary items, PPA and Taxes	(4779.45)	(24728.13)	(8217.66)	(1011.80)	173.28	(38563.76)
Exceptional Items	(258.56)	2628.57	-	-	-	2370.01
Prior period adjustments (PPA)	93.24	(56.08)	2.16	-	(0.63)	38.69
Profit before Extra Ordinary Items	(4614.13)	(27300.62)	(8219.82)	(1011.80)	173.91	(40972.46)
Extra Ordinary Items		492.40				492.40
Profit/(Loss) before Tax	(4614.13)	(26808.22)	(8219.82)	(1011.80)	173.91	(40480.06)
Current Tax	-	-	-	-	55.00	55.00
Deferred Tax	-	-	-	-	1.92	1.92
Tax provision of earlier years withdrawn	-	-	-	-	(17.81)	(17.81)
Profit/(loss) after Tax	(4614.13)	(26808.22)	(8219.82)	(1011.80)	134.80	(40519.17)
3 Other information						
Segment Assets	30491.61	7572.67	18394.82	2222.28	4404.14	63085.52
Segment Liabilities	45730.02	172447.20	97090.62	9453.91	2040.24	326761.99
Capital Expenditure	395.30	3.03	340.87	-	7.13	746.33
Depreciation	977.94	94.97	440.34	47.57	18.61	1579.43
Non Cash Expenses other than depreciation	-	-	-	-	-	-

Note: 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)
1 Segment Revenue - External Turnover		3 Segment Liabilities		
- Within India	42792.86	- Within India		326761.99
- Outside India	2174.30	- Outside India		
Total	44967.16	Total		326761.99
2 Segment Assets		4 Segment Capital Expenditure		
- Within India	63085.52	- Within India		746.33
- Outside India		- Outside India		
Total	63085.52	Total		746.33

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 lakhs)	
			2011-12	2010-11
	Advances given for expenses		2.10	2.05
	Advances reimbursed by the Company		6.71	-
4	Outstanding at the year end			
	- Advance receivable		2.10	6.71

DISCLOSURE REQUIRED AS PER ACCOUNTING STANDARD - 20

- EARNINGS PER SHARE (EPS)

	2011-12	2010-11
Profit/(loss) as per Profit & Loss Account (₹ in Lakhs)	(40519.17)	(49255.52)
Weighted Average number of Equity Shares (in Nos)	760350140	760350140
Basic and Diluted Earning per Share (₹)	(5.33)	(6.48)
Nominal Value of Shares (₹)	10	10

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 Lakhs)	
Opening Balance as on 1.4.2011		347.38
Additions during 2011-12		210.52
Total		<u>557.90</u>
Less: Used during 2011-12		
Utilised	144.36	
Withdrawn	<u>141.45</u>	<u>285.81</u>
Closing Balance as on 31.3.2012		272.09

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2012

(₹ in lakhs)

	Year ended 31.03.2012	Year ended 31.03.2011
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) Before Tax and Extra-ordinary Items	(40972.46)	(49244.87)
Adjustment for:		
Depreciation	1579.43	1542.68
Profit on Sale of Fixed Assets (net)	(75.39)	(74.73)
Amortisation of Special Tools	323.44	294.81
Foreign Exchange (net)	(1.95)	(21.83)
Interest debited (Net)	26807.75	21771.49
Dividend received	(14.40)	(14.40)
Amortisation of Technical Assistance Fee	3.67	2.12
Provision for Obsolescence, Doubtful debts, Advances	(225.31) 28397.24	132.52 23632.66
Operating Profit Before Working Capital Changes	(12575.22)	(25612.21)
Adjustment for:		
(Increase)/Decrease in Trade & Other Receivables	(1232.31)	(20.42)
(Increase)/Decrease in Inventories	(3626.13)	2065.57
(Increase)/Decrease in Other Current Assets	(329.99)	(272.12)
Increase/(Decrease) in Trade payables	5059.77 (128.66)	7710.35 9483.38
Cash Generated From Operations	(12703.88)	(16128.83)
Direct Taxes paid	(62.91)	(186.46)
CASH FLOW BEFORE EXTRA-ORDINARY ITEMS	(12766.79)	(16315.29)
Extra-ordinary Items	492.40	-
NET CASH FROM OPERATING ACTIVITIES	(12274.39)	(16315.29)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(196.28)	(1225.59)
Sale proceeds of Fixed Assets	101.39	143.26
Sale of Investments	-	-
Dividend Received	14.40	14.40
Interest Received	649.16	475.87
NET CASH USED IN INVESTING ACTIVITIES	568.67	(592.06)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2012

(₹ in lakhs)

	Year ended 31.03.2012	Year ended 31.03.2011
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Share Capital	-	-
Proceeds from Long Term/Short Term Borrowings	17562.98	40785.82
Repayment of Long Term/Short Term Borrowings	(2210.31)	(21626.00)
Repayment of Finance Lease Liabilities	-	-
Exchange Difference (net)	1.95	21.83
Dividends paid	-	-
Interest Paid	(3588.59)	(3466.75)
NET CASH USED IN FINANCING ACTIVITIES	11766.03	15714.90
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 60.31	 (1192.45)
 CASH AND CASH EQUIVALENTS AS AT 1ST APRIL 2011 (Opening Balance)	 7645.86	 8838.31
 CASH AND CASH EQUIVALENTS AS AT 31ST MARCH 2012 (Closing Balance)	 7706.17 60.31	 7645.86 (1192.45)

Note: 1) The above statement has been prepared under the Indirect method as set out in notified AS 3 - Cash Flow Statement

2) The Cash and Cash Equivalents has been considered as per Note No.B17.

For and on behalf of Board

As per our Report attached
For M/s. S R R K SHARMA ASSOCIATES
CHARTERED ACCOUNTANTS
(ICAI Regn. No. 003790S)

S.G. Sridhar
Chairman and
Managing Director

Vijay Shankar Madan
Director

U.Jagadish Nayak
General Manager &
Company Secretary

(CA. S R R K SHARMA)
Partner (M.No. 018088)

Place : Bangalore
Date : 17-08-2012

FINANCIAL INFORMATION RELATING TO SUBSIDIARY COMPANIES OF HMT LIMITED FOR THE YEAR ENDED 31st MARCH 2012

(₹ in lakhs)

Sl. No.	Particulars	HMT Machine Tools Ltd	HMT Watches Ltd	HMT Chinara Watches Ltd	HMT Bearings Ltd	HMT (International) Ltd
a)	Capital	71959.91	649.01	166.01	3770.91	72.00
b)	Reserves & Surplus	(87761.24)	(177667.49)	(43280.00)	(11232.34)	2683.99
c)	Total Assets	30491.61	6336.04	1236.63	2222.28	4404.14
d)	Total Liabilities	45730.02	135752.99	36694.21	9453.91	2040.24
e)	Investments	-	-	-	201.00	-
f)	Turnover	24046.13	1024.26	8.20	1602.37	3240.26
g)	Profit/(Loss) before Taxation	(4614.13)	(22404.35)	(4403.87)	(1011.80)	173.91
h)	Provision for Taxation	-	-	-	-	39.11
i)	Profit/(Loss) after Taxation	(4614.13)	(22404.35)	(4403.87)	(1011.80)	134.80
j)	Proposed Dividend (%)	Nil	Nil	Nil	Nil	20%