

HMT LIMITED

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BOARD OF DIRECTORS

Shri A.V. Kamat	<i>Chairman & Managing Director</i>
Shri Saurabh Chandra	<i>Director</i>
Shri Harbhajan Singh	<i>Director (w.e.f.11.01.2010)</i>
Shri S.G. Sridhar	<i>Director (Operations)</i>

Dr. N.B. Ballal	<i>Director (upto 31.01.2010)</i>
Shri S.K. Tuteja	<i>Director (upto 11.02.2010)</i>
Shri K. Kipgen	<i>Director (upto 25.06.2010)</i>
Shri S.K. Kampasi	<i>Director (Finance) (upto 28.02.2010)</i>

EXECUTIVE DIRECTOR

Shri Prakash Sharan	Executive Director, Tractors
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CHIEF VIGILANCE OFFICER

Shri Sutheekshna A. R.	Deputy Chief Vigilance Officer
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COMPANY SECRETARY

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

M/s. Dagliya & Co.
Chartered Accountants
Bangalore

BANKERS

UCO Bank
Punjab National Bank
Andhra Bank

REGISTERED OFFICE

“HMT BHAVAN”
59, Bellary Road
Bangalore – 560 032

PERFORMANCE HIGHLIGHTS

(Rs. in Lakhs)

	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
OPERATING STATISTICS										
Sales	19164	16098	17108	22729	24833	20386	15801	18330	28712	34522
Other Income *	1078	1425	1267	11458	5621	9030	6549	3765	3297	6759
Materials	12083	10596	14064	15125	17461	14710	9952	10734	16018	22071
Employee Costs	6762	6367	6472	6106	5813	5930	5231	5188	5296	7032
Other Costs	3252	4811	4080	8351	5868	6236	6863	7351	7077	9143
Depreciation	392	340	299	321	393	416	419	447	439	446
Earnings before Interest	(3323)	(5664)	(4466)	3639	900	2024	(208)	(2304)	738	3457
Interest	1968	1234	131	(409)	(455)	174	511	1097	(44)	1016
Earnings/(Loss) before Tax	(5291)	(6898)	(4597)	4048	1355	1850	(719)	(3401)	782	2441
Taxation (net off withdrawal/refunds)	-	181	(130)	(1382)	28	1252	77	40	(242)	-
Net Earnings	(5291)	(7079)	(4467)	5430	1327	598	(796)	(3441)	1024	2441

FINANCIAL POSITION

Net Fixed Assets	4028	4094	3751	3342	3437	3317	3683	4096	4276	4346
Current Assets	72668	71078	73167	112729	111417	115431	95292	95890	96539	82642
Current Liabilities & Provisions	21437	19445	19653	20914	20366	19859	20246	23810	23116	26996
Working Capital	51231	51633	53514	91815	91051	95572	75046	72080	73423	55646
Capital Employed	55259	55727	57265	95157	94488	98889	78729	76176	77699	59992
Investments	76556	76571	76571	76571	7801	4639	4589	4550	4550	4550
Miscellaneous Expenditure	-	29	197	380	3845	4594	4822	4949	4375	3404
Borrowings	62091	57312	52098	85553	92742	99637	82055	79121	76704	59128
Net Worth	69724	74986	81897	86181	8146	2492	1116	1535	5550	5414

OTHER STATISTICS

Capital Expenditure	327	681	707	230	556	54	58	278	374	300
Internal Resources Generated	(4899)	(6739)	(4168)	5751	1720	1014	(377)	(2994)	1463	2887
Working Capital Turnover Ratio	0.37	0.31	0.32	0.25	0.27	0.21	0.21	0.24	0.36	0.64
Current Ratio	3.39	3.66	3.72	5.39	5.47	5.81	4.71	4.03	4.18	3.06
Return on Capital(%)	(5.99)	(10.02)	(5.86)	3.84	0.93	2.28	(0.27)	(2.99)	1.10	5.76
Employees (Nos)	2088	2205	2296	2383	2429	2489	2568	2649	2809	3004
Per Capita Sales	9.18	7.30	7.45	9.54	10.22	8.19	6.15	6.92	10.22	11.49

* Includes Extra Ordinary Items

SOURCES AND UTILISATION OF FUNDS

(Rs. in Lakhs)

	2009-10	2008-09	2007-08	2006-07	2005-06
SOURCES					
Internal Generation:					
Net Profit/(Loss) (after interest prior to tax)	(5291)	(6898)	(4597)	4048	1355
Tax(net of provisions withdrawn/refunds)	-	181	(130)	(1382)	28
	(5291)	(7079)	(4467)	5430	1327
Add: Depreciation	392	340	299	321	393
Provisions withdrawn/adjusted	(41)	(33)	(1)	(192)	(155)
	(4940)	(6772)	(4169)	5559	1565
External Generation:					
Equity	-	-	24470	3273	675
Share Application Money	-	-	(24470)	65867	2903
Loans from Govt. of India	11571	2100	944	1091	1120
Term Loans	-	-	2000	-	-
Inter Corporate Loan	-	-	-	430	-
Interest accrued and due	1895	1450	-	1040	527
	13466	3550	2944	71701	5225
TOTAL SOURCES	8526	(3222)	(1225)	77260	6790
UTILISATION					
Repayment of Loans					
Term Loans	-	-	8102	9000	3500
Bonds	9171	-	25671	350	5145
Interest accrued and due	-	-	587	-	-
	9171	-	34360	9350	8645
Capital Expenditure (net)	285	649	707	34	358
Investments	(15)	-	-	68770	3162
Deferred Tax	-	(159)	154	1407	(2)
Miscellaneous Expenditure	(29)	(168)	(183)	(3465)	(749)
	241	322	678	66746	2769
Add/(Less)					
Working Capital Movement	(402)	(1881)	(38301)	764	(4521)
TOTAL UTILISATION	9010	(1559)	(3263)	76860	6893
Net Surplus / (Deficit)	(484)	(1663)	2038	400	(103)
Represented by					
Increase/(Decrease) in Bank Finance	484	1663	(2038)	(400)	103

FIGURES AT A GLANCE

(Rs. in Lakhs)

	2009-10	2008-09
BALANCE SHEET		
What the Company owned		
Fixed Assets	13721	13436
Less: Depreciation	9693	9342
Net Fixed Assets	4028	4094
Investments	76556	76571
Current Assets	72668	71078
Less: Current Liabilities	21437	19445
	51231	51633
Miscellaneous Expenditure	-	29
Profit and Loss Account	50611	45320
	182426	177647
Less:		
What the Company owed		
Bonds	20084	29256
Banks (Working Capital)	5381	4915
Term Loans	9398	9400
Inter Corporate Loans	430	430
Loans from Govt. of India	26798	13311
	62091	57312
	120335	120335
Share Holders' Equity Represented by:		
Share Capital	76035	76035
Share Application Money		
Preference Share Capital	44300	44300
	120335	120335
PROFIT AND LOSS ACCOUNT		
What the Company Earned		
Sales (Gross)	19164	16098
Less: Excise Duty	144	192
Net Sales	19020	15906
Other Income	1078	1425
Stock Accretion/(Decretion)	(1223)	(1190)
	18875	16141
Less:		
What the Company spent		
Materials	12083	10596
Employee Cost	6762	6367
Depreciation	392	340
Other Expenses	2956	4401
Interest	1968	1234
VRS Compensation Written off	-	101
	24161	23039
Net Profit/(Loss) before PPA	(5286)	(6898)
Less: Prior Period Adjustments(PPA)	5	-
Net Profit/(Loss) before Tax	(5291)	(6898)
Taxes	-	181
Net Profit/(Loss) after Tax	(5291)	(7079)

DIRECTORS' REPORT

To

The Members
HMT Limited
Bangalore

Dear Members

The Annual Accounts of the Company for the year 2009-10 along with the Auditors' Report and the Comments of the Comptroller & Auditor General of India are attached to this Report.

CORPORATE PERFORMANCE

The year 2009-10 saw a significant resurgence of the Indian economy, in spite of the global meltdown witnessed all round except in respect of the BRIC countries. The growth of 7.9% achieved during the second quarter of 2009-10 was indeed quite encouraging. The subsequent data releases on Industrial production, infrastructure or exports, confirmed the assessment that the economy has been steadily gaining momentum on a strong economic turnaround. Taking cue from the strong growth indicators, the tractor industry also recorded a growth of 26.21% during the year under review.

Your Company also showed a marginally better performance during the year under review, with growth in terms of both Production and Sales, over the previous year. During the year, your Company achieved a Production level of Rs. 169.65 Cr (4652 Nos. of Tractors) as against the Production level of Rs. 134.34 Cr. (3651 Nos Tractors), recorded in the previous year, with a growth of 26%. In terms of Sales also the Company registered a growth of 19% at Rs, 191.64 Cr (4901 Nos. of Tractors) compared to the Sales of Rs. 160.98 Cr. (4109 Nos. of Tractors) achieved in the previous year.

At the consolidated level, your Company along with its Subsidiaries achieved the Production of Rs.381.18 Cr. and Sales of Rs.436.48 Cr. for the year 2009-10, recording a Net Loss of Rs.329.65 Cr. On a comparative basis, the performance was marginally better than that of the previous year despite the lower levels of performance achieved by some of the Subsidiaries viz., HMT Watches Limited and HMT Chinar Watches Limited.

OPERATING RESULTS

As a result of the improved performance achieved during the year 2009-10, the bottom line improved with the Net Loss coming down from the level of Rs.68.98 Cr. recorded in the previous Financial Year 2008-09 to a Net Loss of Rs.52.91 Cr. during the Year 2009-10. The financial highlights for the year 2009-10, are as under:

FINANCIAL HIGHLIGHTS

(Rs. In crore)

Particulars	2009-10	2008-09
Gross Profit/(Loss) (PBIDT)	(29.26)	(53.24)
Depreciation	3.92	3.40
Interest	19.68	12.34
Profit/(Loss) before PPA	(52.86)	(68.98)
Less: Prior Period Adjustments (PPA)	0.05	-
Net Profit/(Loss) before tax	(52.91)	(68.98)
Tax Provision (Net)	-	1.81
Net Profit/(Loss) after tax	(52.91)	(70.79)
Net Profit/(Loss) carried to Balance Sheet	(52.91)	(70.79)

DIVIDEND

In view of the accumulated losses, your Directors are not in a position to recommend any Dividend on the Paid-up Equity Share Capital for the year 2009-10. No appropriation towards Bonds Redemption Reserve has been made as required under the Bonds Issue Guidelines.

The Issued, Subscribed and Paid-up Equity Share Capital of the Company stood at Rs.760,35,01,400/- as on March 31, 2010. An amount of Rs. 443 Cr. is continued to be shown as Application Money pending allotment of the Preference Shares in the name of the President of India.

FINANCIAL POSITION

The financial position of the Company continued to remain precarious during the year under review, mainly due to the losses incurred by the Company and the difficulty in arranging the required resources from the

Banking sector as well as through disposal of surplus assets, as planned. Your Company is evaluating a strategy for joint development of identified surplus assets of the Company with help of a reputed professional agency, The thrust will be to raise the required resources from leveraging these surplus assets in order to meet the commitments towards retirement of the outstanding overdue liabilities as well as those falling due for repayment/redemption during the current year.

FUTURE OUTLOOK

With the increased focus on agriculture and rural development, easing of credit availability, etc., in view of certain policy initiatives by the Government, the performance of your Company is likely to show positive growth in the current financial year. Further, due to better irrigation facilities, more and more farmers are resorting to multiple cropping through farm mechanisation for achieving higher productivity and output. In fact, the performance of your Company for the first quarter of the year under review has been up by 24% in production compared to previous corresponding period of previous year. The Sales also increased by 4% when compared to first quarter of the previous year. The Tractor 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 select potential areas/territories, engine upgradation for compliance of new emission norms for all models of tractors, setting up of a new paint plant, entering into MOUs with Banks/Financing Agencies for priority loan sanction for the purchase of HMT Tractors, dynamic business strategies, etc., which are expected to yield positive results during the current financial year.

SUBSIDIARY COMPANIES

• HMT Machine Tools Limited

During the year under review, this Subsidiary achieved a Sales of Rs. 198.45 Cr. (including excise duty) and Production of Rs.194.19 Cr. with a Net loss of Rs.45.80 Cr. The performance of this Subsidiary was affected mainly due to working capital constraints and lower order bookings due to the recessionary trends faced by the Capital Goods segment of the Country for the substantial part of the Year under review. The higher input costs of items like steel also contributed to decline in the performance of this Subsidiary. The Subsidiary has set a Sales target of Rs.403 Cr. for the current financial year 2010-11. This Subsidiary is

currently implementing the Rehabilitation Scheme sanctioned by the BIFR during the year 2008 based on the revival plans approved by the Government of India during March 2007. The Subsidiary has implemented the revival plan proposals substantially including substantial portion of the sanctioned investments in Capital Expenditure, which are expected to bear fruit in the ensuing years.

• HMT Watches Limited

This Subsidiary could not show any improvement in its performance, during the year under review despite salary support being received from the Government. The Revival Plans prepared by the Company and submitted to the Government is under its active consideration and review by the Ministry. The Major factor affecting the performance of this Subsidiary was lack of working capital, absence of a robust trade channel and higher interest burden, with depletion in skilled manpower. Despite these constraints, this Subsidiary could achieve a Sales Turnover of Rs.10.54 Cr. and Production of Rs.11.42 Cr. during the year under review. The Net Loss for the year stood at Rs.168.35 Cr. as compared to Rs.164.05 Cr. incurred during the previous year.

• HMT Chinar Watches Limited

The performance of this Subsidiary could not be sustained at optimum levels due to the ongoing troubled situation in the J&K Valley apart from shortage of working capital to enhance production levels for the market required models of watches. Majority of the employees have been separated on VRS leaving about 145 employees at Srinagar and Jammu Units of the Subsidiary. Under these circumstances, the Subsidiary could achieve only a meagre Sales Turnover of Rs. 0.73 Cr. during the year compared to Rs.0.70 Cr. achieved during the previous year, while in terms of Production, the Subsidiary could achieve the level of only Rs.0.30 Cr. for the year. As a result of the lower levels of operations, the Subsidiary incurred a Net loss of Rs.49.94 Cr. during the year.

• HMT (International) Limited

This Subsidiary exported goods and technical services valued at Rs.30.80 Cr. during the year under review as compared to Rs.16.36 Cr. achieved in the previous year, registering a growth of 88% and resulting in pre-tax Profit of Rs.3.96 Cr. for the year. The performance of this Subsidiary in terms of orders, sales and profits during the year under review was significantly higher

amidst global financial crisis affecting delay/shelving of procurement plans by major customers. The Subsidiary has also successfully obtained the re-certification of ISO 9001-2000. The Subsidiary has also maintained its consistent dividend payment record and has declared a dividend of 20% on the Paid up Equity Share Capital, for the year 2009-10

• **HMT Bearings Limited**

This Subsidiary achieved a lower Sales turnover of Rs. 6.84 Cr. (excluding excise duty) during the year under review as compared to Rs.8.71 Crore during the previous year. The achievement in terms of Production during the year was lower at Rs.5.62 Cr. as compared to Rs.7.17 Cr. recorded in the previous year. This Subsidiary incurred a Net Loss of Rs.15.31 Cr. during the year compared to the Net Loss of Rs.10.68 Cr. during the previous year. As a result of the increase in the Losses incurred during the year, the Accumulated Losses of the Company stood at Rs.81.13 Cr. as a result of which the Net Worth of the Company as at March 31, 2010 showed a negative position at Rs. 43.42 Cr. The Company has been declared as a Sick Industrial Company in terms of Section 3(1) (O) of the Sick Industrial Companies (Special Provisions) Act, 1985, by the BIFR and appointed Canara Bank as the Operating Agency (OA) u/s 17(3) of the Act. The DRS has been submitted by the Subsidiary for the consideration of the BIFR and actions are being initiated in terms of the directions of BIFR for the rehabilitation of the Subsidiary.

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 2009-10, conforming to the applicable Accounting Standards, are attached to this Report along with the Auditors' Report on the same.

In terms of the approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, a 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 have not been attached with 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. As directed by the Central Government, the financial information of each of these Subsidiary Companies has been furnished as part of the Consolidated Balance Sheet. 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 and that of the Subsidiary Companies concerned. 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.

ASSOCIATE COMPANY

• **SUDMO-HMT Process Engineers (India) Limited**

There were no significant operations by this Associate Company during the year under review. For the financial year 2009-10, this Company made a Net Profit after tax of Rs. 0.59 Lakhs from the interest income of Rs. 3.01 Lakhs out of the fixed deposits with the Banks. It is expected that the business operations of this Company would be resumed upon implementation of the Government sanctioned Revival Plans, for HMT Ltd.

VIGILANCE ACTIVITIES

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

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

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

various fields. As provided for in the relevant CVC guidelines, requisite emphasis was put on improving vigilance administration by leveraging technology.

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

PARTICULARS OF EMPLOYEES

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 2009-10.

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.

EMPLOYEES

The employee strength of the Company as on March 31, 2010, stood at 2088 Nos. as compared to 2205 at the end of the previous year. There were 421 employees in the Officer Cadre and 1667 Non-Executives in Workmen cadre. The number of employees on the rolls of the Company as on March 31, 2010 in SC/ST, Ex-Servicemen, Physically Handicapped, Women Employee and Minority Categories is as follows:

Scheduled Castes	484
Scheduled Tribes	92
Other Backward Classes	26
Ex-Servicemen	12
Persons with Disabilities	17
Women Employees	61
Minorities	325

EMPLOYEE RELATIONS

The overall Industrial Relations situation in the Company during the year remained peaceful. The Company continues to put in sincere efforts to improve and upgrade the skill sets of the employees at different levels and also to recruit manpower in key areas in order to achieve better and improved productivity in various fields of activities. Certain performance incentive schemes linked to achieving set targeted performance levels are being formulated to improve the motivation of the employees.

IMPLEMENTATION OF OFFICIAL LANGUAGE

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

In order to propagate the usage of Hindi as Official Language, "HINDI DIWAS/HINDI FORTNIGHT" was observed during the month of October 2009. Various Hindi competitions such as Hindi Story writing, Hindi News Paper Reading, Hindi Quiz Writing, Hindi Conversation, Hindi Antyakshari, etc., were organized and participants were awarded prizes. A three day workshop was organised during the above period. The concerned Officials of the Company in charge of implementation of the Official Languages Act, regularly take part in the meetings of the Town Official Languages Implementation Committee. The Company also sponsors some of the Hindi competitions under Bangalore Town Official Language Implementation Committee.

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, 2010, is also appended.

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

DIRECTORS RESPONSIBILITY STATEMENT

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

- In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit/loss of the Company for that period;
- The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The Directors have prepared the annual accounts on a going concern basis.

AUDITORS

M/s. Dagliya & Co. Chartered Accountants, Bangalore, were appointed as Statutory Auditors of the Company for the year 2009-10 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. V. Kumar & Associates, Cost Accountants, were appointed as Cost Auditors for the year 2009-10 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

Pursuant to Article 67 (4) of the Articles of Association of the Company, Shri Harbhajan Singh, Joint Secretary, Department of Heavy Industry, Ministry of Heavy

Industries & Public Enterprises, has been appointed as Part-time Official Director on the Board of the Company, with effect from January 11, 2010, vice Shri Rajiv Bansal, vide Presidential Order No.5(16)/2009-P.E-X dated January 11, 2010. Shri Harbhajan Singh retires at the ensuing Annual General Meeting and being eligible offers himself for appointment as Director in terms of Section 255 read with 257 and 262 of the Companies Act, 1956, for which notice has been received from a member.

Consequent upon the completion of their term, Dr. N.B. Ballal, Shri S.K. Tuteja, and K. Kipgen, Part-time Non-Official (Independent) Directors ceased to be Directors with effect from 31.01.2010, 11.02.2010, and 25.06.2010 respectively.

Shri S. K. Kampasi, Director (Finance) ceased to be Director consequent upon his superannuation from the Company on February 28, 2010.

The Directors wish to place on record the services rendered and contributions made by Shri Rajiv Bansal, Dr. N.B. Ballal, Shri S.K. Tuteja, Shri S. K. Kampasi and Shri K. Kipgen, during their tenure as Directors on the Board of the Company.

Shri S.G. Sridhar, Director (Operations) retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

ACKNOWLEDGEMENTS

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

The Directors also sincerely appreciate the contributions made by the employees at all levels in the operations of the Company during the year, in spite of the difficult situation faced by the Company.

For and on behalf of the Board of Directors



(A.V. Kamat)

Chairman & Managing Director

ADDENDUM TO DIRECTORS' REPORT FOR THE YEAR 2009-10 IN RESPECT OF OBSERVATIONS MADE BY STATUTORY AUDITORS ON THE ACCOUNTS OF HMT LIMITED FOR THE YEAR ENDED 31ST MARCH 2010

Ref.	Statutory Auditors' Observation	Company's Reply
5 (i)	<p>Erosion in the value of carrying cost of long term investments made in respect of shares held in Subsidiary Companies, viz., HMT Machine Tools Limited, HMT Watches Limited, HMT Chinar Watches Limited and HMT Bearings Limited, whose net worth has eroded has not been provided which is in contravention to AS 13 prescribed under Companies (Accounting Standards) Rules, 2006, resulting in the understatement of loss to that extent. The consequent effect on the accounts is not ascertainable.</p>	<p>The Revival Plans of HMT Watches Limited, HMT Chinar Watches Limited and Draft Rehabilitation Scheme (DRS) in respect of HMT Bearings Ltd., the Subsidiaries, have been submitted to Government of India and are under various stages of consideration by the Govt. Besides, these Subsidiaries have assets whose market value is much higher than their book value and as such, it fully covers the cost of investments in the Subsidiaries. Hence, the carrying cost of the long term investments in these Companies does not call for making any provision for diminution in their value.</p>
5. (ii)	<p>The realisability of the net amounts due from loss-making Subsidiaries indicated in 5(i) above, whose net worth has eroded could not be ascertained in the absence of valuation reports from appropriate authorities on the immovable properties held by these Subsidiaries, the consequential effect, if any, on accounts of the Company is not ascertainable.</p>	<p>The dues from Subsidiaries are fully realizable. The total dues from the Subsidiaries stood at Rs. 600.23 Crores as on 31.03.2010. The Subsidiaries have substantial assets in the form of land, buildings and other assets whose present market value is much higher than their Book Value and are adequate enough to cover the net amount due from these Subsidiaries, hence recoverable in full.</p> <p>Besides, these Subsidiary Companies have submitted their Revival Plans / DRS to the Government of India, envisaging infusion of funds and conversion of loans into equity and waiver of interest etc. by Government of India to address the net worth of these Companies.</p>

For and on behalf of the Board of Directors

(A.V. Kamat)
Chairman & Managing Director

MANAGEMENT DISCUSSION & ANALYSIS

A. Industry Structure and Development

General Economic Environment:

India, an emerging economy, has witnessed unprecedented levels of economic expansion, along with countries like China, Russia, Mexico and Brazil. India, being a cost effective and labor intensive economy, has benefited immensely from outsourcing of work from developed countries, and a strong manufacturing and export oriented industrial framework.

With the economic pace slowly and steadily picking up, global commodity prices have staged a comeback from their lows and global trade has also seen a healthy growth in the previous year onwards. With the gradual reversal of the economic slow down, the Economic indicators have of late started brightening up and the Indian Economy has been showing marked improvement with the Government of India targeting a sustained annual GDP growth of 8.5% in the coming years.

Indian economy grew by 7.4% in 2009-10, with a better than expected growth of 8.6% in January-March 2010. This growth rate is mainly on account of higher performance in 'agriculture, forestry and fishing', 'Mining & quarrying' and Manufacturing.

The growth for 2010-11 is being estimated at 8.5%. The index of Industrial Production in March 2010 stands at 347.3, which is 13.5% higher as compared to the level in March 2009. The cumulative growth for the period April-March 2009-10 stands at 10.4% over the corresponding period of the previous year.

Growth Outlook

The global economy expanded at an annualised rate of over 5% during the first quarter of 2010, mostly due to robust growth in Asia. The global economy is recovering faster than expected but Europe's debt crisis might stall the rebound.

India's growth forecast for 2010 is expected to be 9.5%, stating that favourable financing conditions and robust corporate profits will accelerate economic expansion. The country's economy is expected to grow by 8.5% for the financial year ending March 31, 2011.

Industry Structure and Developments & Tractor Industry in India

The Tractor Industry recorded a growth of 26.9% during the previous year 2009-10. The Total sales of Tractor Industry was at 4,40,230 Nos. during the year 2009-10 as compared to 3,47,008 Nos. in the year 2008-09. The Top position among the major players in the Industry continued to remain unchanged during the year under review with a market share of 40 %.

The growth in the industry was fuelled by easy availability of retail finance, growth in infrastructure projects wherein large numbers of Tractors are used for haulage and earth work as well as due to the increased income levels of farmers.

B. Opportunities & Threats.

Opportunities

- Encouraging growth of Tractor Industry i.e., 26.9% in 2009-10.
- Demand for higher HP tractors in Infrastructure projects.
- Demand for PTO driven implements like rotavator increasing.
- Growth of export especially to African & Asian countries.
- Demand for I.P. engines for Gen. Sets for mobile communication towers and power generation.

Threats

- Growing competition due to entry of new manufacturers – capacity outstripping demand.
- Multinationals bringing out world class technology products with better ergonomics.
- Flexible and aggressive market practices by Competitors like captive retail finance, aggressive sales promotion, dynamic professional marketing team etc.
- Stringent tractor credit norms by Banks.

C. Segments- wise or Products-wise Performance

Segment wise Performance:

Segment	2009-10		
	Industry	HMT	% share
Up to 21 HP	3761	-	-
21 to 30 HP	66027	735	1.11
31HP to 40HP	202134	3389	1.68
41HP to 50HP	105821	381	0.36
Above 50HP	62487	396	0.63
Total	440230	4901	1.11

D. Outlook

Indian Tractor Industry continues to grow during 2010-11 with better economic conditions and thrust of Government in the Agriculture Sector. Tractor sales are expected to witness a growth of 10 -15% during 2010-11. Demand for I.P. Engines will go up due to shortage of power and installation of cellular towers.

E. Risks & Concerns

- Eroding Dealer network in certain territories / regions.
- Continued low market share of HMT brand of Tractors.
- Erosion of working capital due to the lower operating levels.
- High manpower cost as compared to the Industry norm.
- Old Aesthetic look of tractors not attracting new customers.
- Ageing plant leading to quality issues and capacity losses.
- Depleting skilled manpower especially in key areas.

F) FINANCIAL PERFORMANCE

The performance of the Company during the year 2009-10 showed a positive growth compared to that of the previous year. The turnover for the year stood at Rs.191.64 Cr. as

compared to Rs.160.98 Cr. of the previous year thereby registering a growth of 19%. During the year, the Company incurred a loss of Rs.52.91 Cr. as against a Net Loss of Rs70.79 Cr. incurred during the previous year.

The total borrowing position of the Company as on 31.3.2010 stood at Rs.620.91 Cr., which include the GOI Guaranteed VRS Bonds outstanding at the face value of Rs.122.28 Cr., GOI Guaranteed Short Term Loan of Rs.93.98 Cr., availed from UCO Bank and Rs. 205.11 Cr. of Government of India Loans.

G) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

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

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

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

Internal Audit Department coordinates with the Units/

Divisions of the Company for ensuring coverage of all areas of operations in order to bring a transparency in the whole spectrum of the Company.

The Company has an Audit Committee, details of which have been provided with Corporate Governance Report. The Audit Committee reviews the Audit Report submitted by the Internal Auditors. Suggestions for improvement are considered and the Audit Committee follows up on the implementation of corrective actions. The Committee also meets the Company's Statutory Auditors to ascertain, inter-alia, their views on the adequacy of internal control system in the Company and keeps the Board of Directors informed of its major observations from time to time.

H) HUMAN RESOURCES

As on 31.03.2010, the Company including its Subsidiaries had a total workforce of 8302 employees, which comprised of various categories of employees of manufacturing plants, other Offices in Technical and other Professional areas as detailed below:

HMT	SUBSIDIARY-WISE PERSONNEL IN-POSITION							
	IP as on 31.3.2010	Engg. Graduates	Diploma in Engg.	Professionals		ITI / NAC*	General & PG Graduates	Others
			Finance	HRM				
HMT Limited	2088	67	162	9	7	1375	135	333
HMT MTL	3808	276	642	15	13	1699	371	792
HMT WL	1976	42	195	2	4	203	595	935
HMTCWL	145	7	6	-	-	29	14	89
HMT BLH	224	12	16	-	2	102	17	75
HMT (I) L	61	15	2	-	1	-	-	43
Total	8302	419	1023	26	27	3408	1132	2267

* Under graduates & below SSLC

The Company has taken suitable steps to bring down the personnel costs by implementing austerity measures in key areas.

Rationalisation of surplus manpower and implementation of Voluntary Retirement Scheme (VRS) are in progress in some of the Subsidiaries of HMT Limited. HMT Chinar Watches Limited, the Subsidiary has achieved reduction

in surplus manpower to an extent of 80 personnel during the year 2009-10. The detailed break up, Company wise, is as follows for the last four years:

SL. NO.	SUBSIDIARY COMPANIES	NO. OF EMPLOYEES AVAILED VRS			
		2006-07	2007-08	2008-09	2009-10
1.	HMT Machine Tools Ltd	-	260	101	-
2.	HMT Chinar Watches Ltd.	-	95	241	80
3.	HMT (International) Ltd	2	-	-	-
	Total	2	355	342	80

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

I) INDUSTRIAL RELATIONS:

The industrial relations situation in the Company remained cordial despite the demands of the employees for early implementation of the wage/pay revision in the Company apart from certain other demands concerning the service conditions of the employees. Not even a single manday has been lost during the year 2009-10 due to IR problems in any of the Units of the Company.

CORPORATE GOVERNANCE

In compliance with Clause 49 of the Listing Agreement with the Stock Exchanges and as per the applicable provisions of the Companies Act, 1956 as amended from time to time, your Directors submit their report on the matters mentioned in the said Clause and practice followed by the Company.

The Company has been following good Corporate Governance practices like striking out reasonable balance in the composition of the Board of Directors, setting up of

Audit Committee and other Committees, adequate disclosure of information and business to be deliberated by the Board, etc.

The day-to-day management of the Company is conducted by the Chairman & Managing Director and the Whole Time Director(s) subject to the supervision and control of the Board of Directors.

BOARD OF DIRECTORS

As on March 31, 2010, the Board of Directors comprised of the Chairman & Managing Director and one Whole-Time Director i.e., Director (Operations), two part-time Official Directors and one part-time Non Official (Independent) Director. Currently the position of one (1) Whole time Director and five (5) part-time Non Official (Independent) Directors are vacant.

During the year 2009-10, five (5) Board Meetings were held on April 17, June 27, July 28, October 27 in the calendar year 2009 and on January 22 in the calendar year 2010.

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

Name	Category	Attendance Particulars		Number of other Directorships and Committee Member/Chairmanships held		
		Board Meetings	General Meetings	Directorship	Committee	
					Membership	Chairmanship
A.V. Kamat	C & ENI	5	YES	6	-	-
S. Behuria Ceased w.e.f. 16.07.09	NENI	1	NA	-	-	-
Saurabh Chandra Appointed w.e.f. 16.07.2009	NENI	1	NA	-	-	-
Surajit Mitra Ceased w.e.f. 02.08.2009	NENI	-	NA	-	-	-
Rajiv Bansal Appointed w.e.f. 03.08.2009 Ceased w.e.f. 10.01.2010	NENI	1	NA	-	-	-
Harbhajan Singh Appointed w.e.f. 11.01.2010	NENI	1	NA	-	2	1
N.B. Ballal Ceased w.e.f. 31.01.2010	NEI	3	NA	1	-	-
S.K. Tuteja Ceased w.e.f. 11.02.2010	NEI	1	NA	17	4	3
K. Kipgen Ceased w.e.f. 25.06.2010	NEI	3	NA	-	-	-
S.K. Kampasi Ceased w.e.f. 28.02.2010	ENI	5	YES	1	-	-
S. G. Sridhar	ENI	5	YES	2	-	-

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

AUDIT COMMITTEE

The Audit Committee of the Board was re-constituted on October 23, 2008 with the induction of Shri S. Behuria, Part-time Official Director in place of Shri B.S. Meena. The Audit Committee was further 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. 11.02.2010 on completion of his term of appointment, the Audit Committee does not reflect the full complement of members as envisaged in the Listing Agreement (Clause 49). As on March 31, 2010, the Audit Committee comprises of Shri Kipgen, Part-time Non Official (Independent) Director and Shri S.G. Sridhar, Director (Operations) as Members and has to be reconstituted after appointment of independent directors by the Government.

Four (4) Audit Committee Meetings were held on 17.04.2009, 27.06.2009, 28.07.2009 & 27.10.2009. The details of attendance is as under:

Name	Meetings held during the tenure of Director	Attendance
K. Kipgen	4	3
Dr. S. Behuria ceased w.e.f. 16.07.2009	2	1
Shri S.K. Tuteja	4	1
Shri S.G. Sridhar	4	4

The meeting scheduled on 22.01.2010 could not be held for want of Quorum.

REMUNERATION TO DIRECTORS

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

Name of Director	Salary (Rs.)	Other Benefits (Rs.)	Total (Rs.)
A.V. Kamat	407620	177827	585447
S. K. Kampasi*	339961	81173	421134
S.G. Sridhar	767134	111139	878273

* Superannuated on February 28, 2010

- No sitting fee is payable to any of the directors except Part-time Non-Official (Independent) Directors. An amount of Rs.18,000/- (Rs.2000/- per meeting for the Board and Rs.1000/- for each Committee Meetings) has been paid as sitting fee to the part time Non-Official (Independent) Directors during the year for attending the Board and Committee Meetings.
- The salary of the whole time Directors does not include performance-linked incentive except amount payable as per the productivity linked incentive scheme of the Company.

SHARE TRANSFER COMMITTEE

The Share Transfer Committee comprises of the Chairman and Managing Director as a single member to look after transfer/transmission of shares issued by the Company, issue of duplicate certificates and certificates after split/consolidation/renewal apart from confirmation of dematerialisation of shares on transfer to a depository. Four meetings were held during the year 2009-10.

Name of the Compliance Officer:

Shri U. Jagadish Nayak, Company Secretary

THE SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Shareholders/Investors Grievance Committee was reconstituted on January 24, 2009 with Dr. N.B. Ballal, Part-time Non Official (Independent) Director as Chairman and Shri S.K. Kampasi, Director (Finance), as Member. The Committee looks into redressal of Shareholders'/Investors' complaints related to transfer of shares,

non-receipt of Balance Sheet, non-receipt of declared dividends etc.

- Number of shareholders complaints received during the period from 01.04.2009 to 31.03.2010: NIL
- Number of complaints resolved to the satisfaction of shareholders: NIL
- Number of pending share transfers with M/s. Karvy Computershare Private Limited, Bangalore, the Registrars and Share Transfer Agents. NIL

newspapers viz., Financial Express/Business Standard (English) and Samyukta Karnataka/Times of India - Kannada (Vernacular) on 30.07.2009; 28.10.2009; 23.01.2010 in respect of each quarter and on 05.05.2010 for the year ended 31.03.2010. 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) and CFO (Director, Finance) on the Financial Statements and Internal controls relating to financial reporting for the financial year 2009-10 has been obtained and was placed before the Board.

GENERAL BODY MEETINGS

The last three Annual General Meetings were held as under:

Financial year	Date	Time	Location
2006-2007	29.09.2007	10.30 a.m.	Registered Office at No. 59, Bellary Road, Bangalore-560 032.
2007-2008	27.09.2008	10.30 a.m.	As above
2008-2009	30.09.2009	10.30 a.m.	As above

One Special Resolution each for increase in the Authorised Share Capital of the Company was passed during the years 2006-07 and 2007-08. No special resolutions were required to be put through postal ballot during the above meetings.

DISCLOSURES

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

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

MEANS OF COMMUNICATION

The Company has published its Annual and Quarterly Unaudited results as per the listing requirements in leading

GENERAL SHAREHOLDERS INFORMATION

1. **Annual General Meeting September 29, 2010**
10.30 A.M at
No.59, Bellary Road
Bangalore – 560 032

2. Financial Calendar (Tentative)

Annual General Meeting	September 29, 2010
Results for quarter ended June 30, 2010	Last Week of August 2010
Results for quarter ending September 30, 2010:	Last week of October 2010
Results for quarter ending December 31, 2010:	Last week of January 2011
Results for year ending March 31, 2011:	Last week of May 2011

3. Book Closure (Tentative) September 22, 2010 to September 29, 2010 (both days inclusive)
4. 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 2010-11 have been duly paid to the above Stock Exchanges)
- Stock Code No.**
- Bombay Stock Exchange Ltd., Mumbai 500191
- National Stock Exchange of India Limited, Mumbai HMT
ISIN No.
INE 262A01018 IN
5. Registrars & Share Transfer Agents M/s. Karvy Computershare Private Limited.
46, Avenue 4, Street No.1, Banjara Hills, Hyderabad – 500 034.

6. Share Transfer System

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

7. Non-Mandatory Requirements

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

8. Market price Data

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 2009	50.90	35.10	50.90	32.35
May	80.50	38.50	81.95	38.15
June	81.95	61.10	82.35	61.00
July	72.85	51.00	72.30	50.65
August	70.50	60.00	70.45	59.30
September	75.10	61.65	75.00	60.50
October	76.35	56.75	77.30	57.00
November	82.40	54.30	82.35	54.15
December	73.80	62.20	73.95	61.15
January 2010	106.40	69.50	106.35	69.00
February	105.40	78.20	105.35	78.25
March	85.55	72.50	85.65	72.80

9. Distribution of Shareholding:

The shareholding distribution of Equity shares as of 31.03.2010 is given below:

Shareholding of nominal value of Rs.	Share Holders		Share Amount Nominal Value (in Rs.)	% to Total
	Number of Share Holders	% to Total No. of Share Holders		
Upto - 5,000	20889	90.75	27913280	0.37
5,001 - 10,000	1215	5.28	10136780	0.13
10,001 - 20,000	468	2.03	7274980	0.10
20,001 - 30,000	148	0.64	3770800	0.05
30,001 - 40,000	69	0.30	2500890	0.03
40,001 - 50,000	57	0.25	2689900	0.04
50,001 - 1,00,000	99	0.43	7042920	0.09
1,00,001 & Above	72	0.32	7542171850	99.19
TOTAL	23017	100.00	7603501400	100.00

10. Shareholding Pattern:

Indian Promoters (President of India and his nominees)	98.88%
Financial Institutions/Mutual Funds/Banks	0.07%
Other Body Corporates	0.24%
Indian Public	0.76%
Non Resident Indians	0.01%
Clearing Members	0.03%
Foreign Institutional Investors	0.01%

11. Dematerialisation of Shares:

The Company's Shares are compulsorily traded in the electronic mode from June 26, 2000. As on 31st March 2010, 1.10 % of the Company's Shares representing 8358976 equity shares were held in dematerialised form and the balance 98.90% representing 751991164 shares were in the physical form.

12. Address for correspondence:

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

13. Plant Locations

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

Pinjore – 134101
Dist. Panchkula, Haryana

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

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

ANNEXURE TO THE DIRECTORS' REPORT

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

A. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGES EARNINGS AND OUTGO

a) Energy Conservation Measures Taken

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

- Create energy conservation awareness across the Company for optimum use of resources in the work places.
- Daily monitoring of A class loads in each of the manufacturing units like Diesel Generators, Compressors, Power Transformers, etc.
- Use of energy efficient lighting systems like mercury vapour lamps, high power sodium vapour lamps and fluorescent tube lights with electronic ballasts.
- Use of natural lighting transparent roof sheets.
- Centralised controls for shop lighting.
- Use of Power Capacitors for improving power factor.
- Use of solar water heaters.
- Portable Compressors are being run for Energy conservation.

Impact on cost of production of goods

- The above mentioned measures have resulted in saving of 163200 kwh and in monetary terms of Rs.7.60 lakhs during the year 2009-10

- By improving power factor, rebate on electricity bills amounting to Rs.13 lakhs has been availed from State Electricity Board.
- Energy consumption costs relative to total operating expenses is approximately 201%.

b) Additional investment and proposals, if any, being implemented for reduction of energy consumption:

- Existing tube fittings to be replaced with T-5 (28 watt) energy efficient tube fittings involving investment of Rs.30 lakhs. This will result in annual saving of Rs.9.5 lakhs (Approx.).

c) Total energy consumption and energy consumption per unit of production:

Not applicable, as the Company is not covered in the list for specified industries. Also, our operations are not energy intensive in nature.

B. TECHNOLOGY ABSORPTION

FORM B

Research and Development (R&D)

1. Specific areas in which R&D carried out by the Company.

On going Product Development and product redesigning processes continued to meet the market demands and product quality improvement process. In this direction the developmental projects contributed to improvement of the products and product basket.

- New Tractor model 4022 PS with power steering successfully launched.

- New Tractor model 5022 RX & DX successfully developed and launched in the market. This Tractor is having heavy duty cera metallic clutch, bigger size rear tyre and power steering for heavy duty haulage operation apart from agriculture work
- Heavy duty 65 hp tractor with power steering in modified version has been developed. Pilot batch of 2 nos. tractor manufactured and under field trials.

2. Benefits derived as a result of the above R&D

The new version of Tractor will meet the segment need of the Tractor Market for sustained presence in the field. Quality improvement of product will enhance the long sustained utility of Tractor to end customer and enhance the wider acceptance of Product.

Also the developments of the products will enable the company to meet the emerging competition from both indigenious and global competitors.

3. Future Plan of action.

R&D is a continuous process and is closely linked with the various operations of the Company in respect of improvement in product performance and cost benefits.

4. Expenditure on R&D

(Rs. In lakhs)

Particulars	2009-10	2008-09
Capital	-	-
Recurring	172	142
Total	172	142
Total R&D Expenditure as % of Turnover.	0.90	0.88

5. Technology absorption, adaptation and innovation:

- New Tractor model 4022 PS with power steering successfully launched.
- New Tractor model 5022 RX & DX successfully developed and launched in the

market. This Tractor is having heavy duty cera metallic clutch, bigger size rear tyre and power steering for heavy duty haulage operation apart from agriculture work

- Heavy duty 65 hp tractor with power steering in modified version has been developed. Pilot batch of 2 nos. tractor manufactured and under field trials.
- Power steering successfully developed on Tractor model 3522 FX and 2522 DX.
- Tractor model 4022 EDI with portal and hydraulic brakes has been developed.
- HMT Tractor Engines are being developed by M/S ARAI, Pune to meet tractor emission norms Bharat (Trem) Stage III A which will be applicable from 01.10.2010 for up to 50 HP from 01.04.2011 for above 50 HP. These Engines will have higher torque, better fuel efficiency and lower noise level.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Activities relating to exports, initiatives taken to increase export markets for products and services and plans:

Export of the Company's products are managed by HMT (International) Limited, the wholly owned Subsidiary.

Total Foreign Exchange used and earned:

(Rs. In lakhs)

Sl. No.	Particulars	2009-10	2008-09
1.	Foreign Exchange earned*	6	17
2.	Outgo of Foreign Exchange	39	41
3.	Expenditure in Foreign Currencies on account of Royalty, Know-how/ Professional Consultation Fees, Interest and other matters	-	-

* All exports of the Company are routed through the wholly owned Subsidiary viz., HMT (International) Limited except export done directly by one of the Unit.

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 2010, 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.

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

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

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

For DAGLIYA & CO.
Chartered Accountants
F.R.N. 671S

O.D. Golcha
Partner

M. No.12502

Place : Bangalore

Date : 28-06-2010

DECLARATION BY THE CHAIRMAN & MANAGING DIRECTOR

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

This is to certify that:

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

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, and the Senior Management and Part-time Directors have affirmed compliance of the said Code of Conduct, for the year ended March 31, 2010.

(A.V. Kamat)
Chairman & Managing Director

Place : Bangalore.

Date : 19-08-2010.

AUDITORS' REPORT

TO

The Members of HMT Limited

1. We have audited the attached Balance Sheet of HMT Limited (the Company) as at 31st March 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto in which are incorporated the accounts of Corporate Head office audited by us and 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.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. 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.
4. As required by the Companies (Auditor's Report) Order, 2003 (as amended in 2004) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks as considered appropriate and according to the information and explanations given to us and relying on the audit reports of the branch auditors in respect of units audited by them, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
5. Attention is drawn to the following:
 - (i) ***Erosion in the value of carrying cost of long term investments made in respect of shares held in subsidiary companies, viz., HMT Machine Tools Limited, HMT Watches Limited, HMT Chinar Watches Limited and HMT Bearings Limited, whose net worth has eroded has not been provided which is in contravention to AS 13 prescribed under Companies (Accounting Standards) Rules, 2006, resulting in the understatement of loss to that extent. The consequent effect on the accounts is not ascertainable.***
 - (ii) ***The realisability of the net amounts due from loss-making subsidiaries indicated in 5(i) above, whose net worth has eroded could not be ascertained in the absence of valuation reports from appropriate authorities on the immovable properties held by these subsidiaries, the consequential effect, if any, on accounts of the company is not ascertainable.***
6. Further to our comments in Paragraphs 4 and 5 above we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches audited by branch auditors;

- c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) **subject to our comments at paragraph 5 above**, in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- e) In our opinion, based on the notification no. GSR 829 (E) dated 21.10.03 issued by the Department of Company Affairs, Government of India, the requirements under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 with regard to directors' qualifications do not apply to the Company, being a Government Company;
- f) in our opinion and to the best of our information and according to the explanations given to us, the Central Government has till date not prescribed the amount of cess payable under section 441A of the Companies Act, 1956, and hence we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same;
- g) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and **subject to our comments in paragraph 5 above and clauses 11 and 19 of Annexure to Paragraph 4 above**, give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010;
- (ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

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

O.D. Golcha
Partner
M. No. 12502

Place : Bangalore
Date : June 28, 2010

ANNEXURE REFERRED TO IN PARAGRAPH 4 OF OUR REPORT OF EVEN DATE

1. (a) The company has maintained proper records showing full particulars, including quantitative details and the situation of fixed assets.
- (b) All the assets have not been physically verified by the management during the year; but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) The Company has not disposed off substantial part of the fixed assets during the year and hence the going concern concept is not affected.
2. (a) As explained to us, the inventories comprising of finished goods, stores, spare parts and raw materials other than those held by sub-contractors, ancilliary units and goods stored in custom's warehouses have been physically verified during the year by the management. In our opinion the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies between the physical stocks and the book records were not material and have been properly dealt with in the books of account.
3. The company has not granted or taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Hence, clauses (a) to (g) of the said order are not applicable.
4. In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system of the company.
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.
- (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 (v) (b) of the Order is not applicable.
6. The Company has not accepted any deposits from the public and accordingly the provisions of Section 58A of the Companies Act, 1956 are not applicable to the company.
7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. The Company has complied with the provisions of the order made by the central government for the maintenance of cost records 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
9. (a) (i) According to the records, information and explanations provided to us and records examined by us, undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other statutory dues applicable to it have been regularly deposited with

appropriate authorities *though there has been some delay in provident fund dues remittances.*

- (ii) *According to the information and explanation given to us no undisputed dues payable in respect of 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 Sales tax Rs. 195.03 lakhs relating to 1990-91 to 1996-97.

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

Name of the Statute	Nature of Dues	Amount (Rs. In Lakhs)	Period to which the amount relates	Nature of Dispute	Forum where dispute is pending
Sales Tax Act	Sales Tax	159.70	1989-90 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	32.82	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	606.88			

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 Viz., 10% Secured Bonds - A, B, C & E series, Principal amount of Rs.31.80 crores and interest – Rs. 22.78 crores, 12% Secured Bonds – A, B & C series, Principal amount of Rs.28.70 crores and interest – Rs.25.16 crores, which became due for redemption during June 2004 to August 2006 and same are yet to be redeemed.*

The Company has rescheduled repayment of unsecured GOI guaranteed Short Term Loan from UCO Bank to the extent of Rs.93.98 Crores for further period of one year from 10-08-2009 to 10-08-2010 and short term loan from UCO Bank to the extent of Rs. 20.00 Crores is rescheduled to be paid upto 10-08-2010 as approved by bank.

12. Based on our examination and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a Chit fund or a nidhi / mutual benefit fund / society. Therefore, clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.

14. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
15. In our opinion, the terms and conditions on which the company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the company.
16. In our opinion, the term loans have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
18. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
19. **Company has not created charge in respect of the following:**
- 10% Non Convertible Bonds - Rs.31.80 Crores plus interest**
- 12% Non Convertible Bonds - Rs.28.70 Crores plus interest**
- Even though the bonds were issued as secured bonds, trust deed in favour of bond holders has not been executed.**
20. The Company has not raised any money by way of public issues during the year.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

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

O.D. Golcha
Partner
M. No. 12502

Place : Bangalore
Date : June 28, 2010

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 31ST MARCH 2010.

The preparation of financial statements of **HMT Limited, Bangalore** for the year ended 31st March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 28 June 2010.

I on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of **HMT Limited, Bangalore** for the year ended 31st March 2010. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and Company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 619(4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report:

Comments	Reply
<p>NON DISCLOSURE OF A SIGNIFICANT FACT</p> <p>The Government of India (GOI) released a plan assistance of Rs. 2 crore to HMT Limited in March 2007 for its subsidiary company viz., HMT Watches Limited for meeting capital expenditure towards establishing an Ion Plating Plant by the latter. Fifty <i>per cent</i> of the assistance was in the form of equity and balance fifty <i>per cent</i> in the form of loan. Accordingly, the Company allotted 10,00,000 equity shares of Rs.10 each valuing Rs.1 crore to the GOI on 10 April 2007 and passed on the financial assistance to HMT Watches Limited.</p> <p>As HMT Watches Limited could not utilise the funds for the purpose for which it was sanctioned, the GOI ordered (December 2009) refund of the entire unutilized financial assistance of Rs.2 crore. The Company refunded (February 2010) the loan of Rs.1 Crore to GOI on behalf of HMT Watches Limited by raising a debit against the latter. As refund of balance amount of Rs.1 crore towards equity share capital will result in reduction of paid up share capital of the Company also, a clarification as to the procedure for reduction of share capital has been sought by it from GOI in January 2010; reply of GOI was awaited (August 2010). The significant fact having implications of reduction of share capital of the Company has not been disclosed in the accounts by way of note.</p> <p style="text-align: right;">For and on the behalf of the Comptroller & Auditor General of India</p> <p style="text-align: right;">(C.H. Kharshiing, I.A.A.S) Pr. Director of Commercial Audit & ex-officio Member, Audit Board, Bangalore</p> <p>Bangalore Dated: 3 September 2010</p>	<p>In view of the non utilization of Plan funds of Rs.2.00 Crore by the Subsidiary, namely HMT Watches Ltd., Government of India (GOI) had instructed the Company during December 2009 for refund of the total plan assistance of Rs.2.00 Crore. Accordingly, the Company has refunded only the Loan amount of Rs.1.00 Crore during February 2010 and requested GOI for further instructions on the procedure to be followed for refund of the Equity amount of Rs.1.00 Crore, as it would amount to reduction in Share Capital, which would require the approval of Shareholders and completion of other statutory formalities as per Rules. Since Company is yet to receive formal sanction from GOI on the procedure to be followed for refund of Share Capital amount, resulting in reduction of Share Capital, no specific disclosure has been made in the accounts by way of a note. Further steps will be taken in this regard during the financial year 2010-11.</p> <p style="text-align: right;">for HMT Limited,</p> <p style="text-align: right;">(A.V.Kamat) Chairman & Managing Director</p> <p>Bangalore Dated : 3 September 2010</p>

SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of financial statements

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

Fixed Assets

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

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

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

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

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

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

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

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

(b) Upgrading machine parts to achieve a substantial improvement in the quality of out-put; and

(c) Adoption of new production processes enabling a substantial reduction in previously assessed operating costs.

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

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

Items of Capital Assets with WDV of 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 except assets costing less than Rs.5000/- per asset which is written off to Re.1/- in the year of purchase.

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

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

Investments

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

Inventories

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

Development & Commissioning

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

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

Deferred Revenue Expenditure

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

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

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

Revenue recognition

Sales are set up based on:

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

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

Despatches to dealers/customers in respect of Machines & Tractors

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

Foreign currency transactions

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

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

Borrowing costs

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

Employee Benefits

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

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

Gratuity is provided for, under a defined benefit scheme, to cover the eligible employees, liability being determined on actuarial valuation. Annual contributions are made, to the extent required, to a trust constituted and administered by the Life Insurance Corporation of India under which the coverage is limited to 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 benefit scheme, contributions are made to the Pension Fund administered by the Government.

Warranty

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

Special Tools

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

Research and Development Costs

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

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

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

Income Tax

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

Earnings per share

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

Others

The amount of Rs.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 Rs.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.

BALANCE SHEET AS AT 31ST MARCH 2010

(Rs. in Thousands)

	Sch. No.	As at 31.03.2010	As at 31.03.2009
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	1.1	760,35,01	760,35,01
Share Application Money	1.2	443,00,00	443,00,00
Reserves & Surplus	1.3	-	-
LOAN FUNDS			
Secured Loans	2.1	254,65,19	341,70,37
Unsecured Loans	2.2	366,26,19	231,41,73
		620,91,38	573,12,10
		1824,26,39	1776,47,11
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	3.1	136,39,25	132,48,74
Less: Depreciation		96,93,07	93,42,48
Net Block		39,46,18	39,06,26
Capital Work-in-Progress		-	2,56
Machinery and Equipment in transit and under inspection/erection		82,09	1,84,65
INVESTMENTS	4.1	765,55,87	765,70,86
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	5.1	29,00,01	40,37,54
Sundry Debtors	5.2	68,64,20	74,44,06
Cash and Bank Balances	5.3	4,38,51	11,66,07
Other Current Assets	5.4	1,10,68	1,10,00
Loans and Advances	5.5	623,54,71	583,20,63
		726,68,11	710,78,30
Less: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	6.1	142,56,13	124,25,54
Provisions	6.2	71,80,58	70,19,57
		214,36,71	194,45,11
Net Current Assets		512,31,40	516,33,19
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	7.1	-	29,27
PROFIT AND LOSS ACCOUNT	1.3	506,10,85	453,20,32
		1824,26,39	1776,47,11
NOTES TO ACCOUNTS			
Accounting Policies form part of the Accounts			

For and on behalf of the Board

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

A.V. Kamat
Chairman and
Managing Director

S.G. Sridhar
Director, Operations

B. Manikya Prakash
General Manager,
Corporate Finance

U.Jagadish Nayak
Company Secretary

O.D. Golcha
Partner
M.No.12502

Place : Bangalore
Date : 28.06.2010

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

(Rs. in Thousands)

	Sch. No.	Year ended 31.03.2010	Year ended 31.03.2009
EARNINGS			
Sales (Gross)	8.1	191,63,71	160,97,53
Less: Excise Duty		1,43,92	1,91,94
Net Sales		190,19,79	159,05,59
Other Income	8.3	10,78,02	14,24,74
Accretion/(Decretion) to Work-in-Progress, Finished Stock and Scrap	8.4	(12,23,41)	(11,89,94)
		188,74,40	161,40,39
Less: OUTGOINGS			
Materials	9.1	120,82,55	105,96,44
Personnel	9.2	67,62,33	63,66,59
Depreciation		3,91,87	3,39,79
Other Expenses	9.3	31,03,59	45,18,07
Interest (net)	9.4	19,67,70	12,33,59
VRS Compensation Written off		-	1,00,73
Less: Jobs done for Internal use	8.2	(1,47,89)	(1,16,62)
		241,60,15	230,38,59
Profit/(Loss) Before Tax, adjustment for PPA		(52,85,75)	(68,98,20)
Less: Prior Period Adjustments (PPA)	9.5	4,78	(10)
Profit/(Loss) Before Tax		(52,90,53)	(68,98,10)
Less: Deferred tax adjustment	9.6	-	1,59,11
Less: Fringe Benefit Tax		-	22,22
Profit/(Loss) After Tax		(52,90,53)	(70,79,43)
Balance Carried to Balance sheet		(52,90,53)	(70,79,43)
Basic/Diluted Earnings Per Share, of Rs.10/- each (in Rupees)		(0.70)	(0.93)
Number of Equity Shares (Weighted Average Basis)		760350140	760350140
NOTES TO ACCOUNTS	11.1		
Accounting Policies form part of the Accounts			

For and on behalf of the Board

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

A.V. Kamat
 Chairman and
 Managing Director

S.G. Sridhar
 Director, Operations

B. Manikya Prakash
 General Manager,
 Corporate Finance

U.Jagadish Nayak
 Company Secretary

O.D. Golcha
 Partner
 M.No.12502

Place : Bangalore
 Date : 28.06.2010

SCHEDULES FORMING PART OF BALANCE SHEET

(Rs. in Thousands)

Sch. No.		As at 31.03.2010	As at 31.03.2009		
1.1	SHARE CAPITAL				
	AUTHORISED				
	100,00,00,000 (previous year 100,00,00,000) Equity Shares of Rs.10/- each	10,00,00,00	10,00,00,00		
	4,50,00,000 (previous year 4,50,00,000) Preference Shares of Rs.100/- each	450,00,00	450,00,00		
		14,50,00,00	14,50,00,00		
	ISSUED, SUBSCRIBED AND PAID-UP				
	76,03,50,140 [Prev. Year 76,03,50,140] Equity Shares of Rs.10/- each [of the above 3,18,85,900 (previous year 3,18,85,900) shares] are allotted as fully paid-up for consideration other than cash]	760,35,01	760,35,01		
		760,35,01	760,35,01		
1.2	SHARE APPLICATION MONEY				
	Towards 3.5% Redeemable Preference Share Capital under Revival Plan of HMT Machine Tools Ltd, a Subsidiary Company, approved by Govt. of India	443,00,00	443,00,00		
		443,00,00	443,00,00		
1.3	RESERVES AND SURPLUS				
		As at 01.04.2009	Withdrawals	Additions	As at 31.03.2010
	General Reserve	134,53,11	-	-	134,53,11
	Profit/Loss Account	(587,73,43)	-	(52,90,53)	(640,63,96)
		(453,20,32)	-	(52,90,53)	(506,10,85)
2.1	SECURED LOANS				
	3 YEAR HMT BONDS-2001				
	Non Convertible Bonds with interest @ 10 % & 12% redeemable at par, the earliest date of redemption being 30-11-2003 secured by assets of the Company located at Pinjore and assets of HMT Machine Tools Ltd., a Subsidiary Company, located at Ajmer. Trust Deed in favour of the Bond Holders is pending execution.			60,50,00	60,50,00
	Interest Accrued and Due			18,06,43	18,06,43

SCHEDULES FORMING PART OF BALANCE SHEET

(Rs. in Thousands)

Sch. No.	As at 31.03.2010	As at 31.03.2009
8 YEAR 8.50% HMT BONDS 2002 - Guaranteed by Central Government		
Non Convertible Bonds redeemable at par, the date of redemption due on 27-11-2010, secured by registered mortgage of the immovable property of the Company in the State of Maharashtra in favour of UCO Bank, the Trustees, vide Trust Deed dated 22-7-2003.	122,28,00	213,99,00
FROM BANKS		
Cash Credit Loans secured by hypothecation of inventories and sundry debtors by first charge and collateral security by way of equitable mortgage by deposit of title deed of the immovable property of the Company ranking pari passu inter-se the participating banks	33,60,83	28,76,43
Short Term Loan secured by hypothecation of inventories and sundry debtors by first charge and collateral security by way of equitable mortgage by deposit of title deed of the immovable property of the Company ranking pari passu inter-se the participating banks	20,00,00	20,00,00
Interest Accrued and Due	19,93	38,51
	254,65,19	341,70,37
2.2 UNSECURED LOANS		
Short Term Loan from Bank Guaranteed by Central Government	93,98,00	93,98,00
Interest Accrued and Due	-	2,51
Inter Corporate Loan	4,30,00	4,30,00
Loans from Government of India	205,11,15	89,40,15
Interest Accrued and Due	62,87,04	43,71,07
	366,26,19	231,41,73

3.1 FIXED ASSETS

(Rs. in Thousands)

Particulars	Gross Block at cost as at 1.4.2009	Additions	Deductions/ Adjustments	Gross Block at cost as at 31.3.2010	Total Depreciation as at 1.4.2009	Deductions/ Adjustments *	Depreciation during the year	Total Depreciation as at 31.3.2010	Net Block as at 31.3.2010	Net Block as at 1.4.2009
Land & Land Development	1,72,21			1,72,21	-			-	1,72,21	1,72,21
Land-Leasehold	17,09			17,09	5,19		18	5,37	11,72	11,90
Buildings	21,21,39	11,38		21,32,77	10,88,96		39,64	11,28,60	10,04,17	10,32,43
Plant and Machinery	102,85,70	4,17,37	18,70	106,84,37	76,73,24	18,68	3,30,38	79,84,94	26,99,43	26,12,46
Furniture, Fittings & Office Appliances	4,50,63	3,51	2	4,54,12	3,92,62	3	16,82	4,09,41	44,71	58,01
Transport Vehicles	2,01,72		23,03	1,78,69	1,82,47		4,85	1,64,75	13,94	19,25
Total	132,48,74	4,32,26	41,75	136,39,25	93,42,48	41,28	3,91,87	96,93,07	39,46,18	39,06,26
Previous Year	120,02,13	12,78,46	31,85	132,48,74	90,35,99	33,30	3,39,79	93,42,48	39,06,26	

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

2) * includes prior period adjustment Nil (Previous year Rs. 1,48) Thousands

LAND

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

SCHEDULES FORMING PART OF BALANCE SHEET

(Rs. in Thousands)

Sch. No.	As at 31.03.2010	As at 31.03.2009
4.1 INVESTMENTS		
[LONG TERM - AT COST]		
INVESTMENTS IN GOVERNMENT SECURITIES (UNQUOTED)	-	-
TRADE INVESTMENTS (QUOTED)	-	-
OTHER INVESTMENTS (UNQUOTED)		
30,00,000 (previous year 30,00,000) Ordinary Shares of Naira 1 each fully paid up in Nigeria Machine Tools Ltd, Nigeria	1,71,55	1,71,55
20,84,050 (previous year 20,84,050) Equity Shares of Rs. 1 each fully paid up in Gujarat State Machine Tools Corporation Ltd., Bhavnagar	20,84	20,84
Nil (previous year 14,970) Equity Shares of Rs.100 each fully paid up in Karnataka State Co-operative Apex Bank Ltd.	-	14,97
1,60,800 (previous year 1,60,800) Equity Shares of Rs.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 Rs 10 each fully paid up in Sudmo HMT Process Engineers (India) Ltd., Bangalore	15,00	15,00
Nil (Previous year 100) Equity Shares of Rs.20 each fully paid up in Cosmos Co-operative Bank Limited, Mumbai	-	2
7,20,000 (Previous year 7,20,000) Equity Shares (including 6,90,000 (Previous year 6,90,000) Bonus Shares] of Rs.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 Rs. 10 each fully paid up in HMT Bearings Ltd., Hyderabad(Subsidiary Company)	37,46,86	37,46,86
27,65,99,137 (Previous year 1,57,00,100) Equity Shares of Rs. 10 each fully paid up in HMT Machine Tools Ltd, Bangalore (wholly owned Subsidiary Company)	276,59,91	15,70,01
64,90,100 (Previous year 64,90,100) Equity Shares of Rs. 10 each fully paid up in HMT Watches Ltd., Bangalore (wholly owned Subsidiary Company)	6,49,01	6,49,01
16,60,100 (Previous year 16,60,100) Equity Shares of Rs. 10 each fully paid up in HMT Chinar Watches Ltd., Jammu (wholly owned Subsidiary Company)	1,66,01	1,66,01
4,43,00,000 3.5% Redeemable Preference Shares of Rs.100 each fully paid up in HMT Machine Tools Ltd, Bangalore (wholly owned Subsidiary Company)	443,00,00	-
Advance towards Equity Shares - HMT Machine Tools Ltd	-	260,89,90
Advance towards 3.5% Redeemable Preference Shares - HMT Machine Tools Ltd	-	443,00,00
	767,48,26	767,63,25
Less:Provision for dimunition in value of Investment		
Nigeria Machine Tools Ltd., Nigeria	1,71,55	1,71,55
Gujarat State Machine Tools Corporation Ltd, Bhavnagar	20,84	20,84
	1,92,39	1,92,39
	765,55,87	765,70,86

SCHEDULES FORMING PART OF BALANCE SHEET

(Rs. in Thousands)

Sch. No.		As at 31.03.2010	As at 31.03.2009
5.1	INVENTORIES*		
	Stores and Spare Parts	4,26,38	5,38,80
	Tools and Instruments	3,71,73	3,93,23
	Raw Materials and Components	10,24,34	8,46,90
	Materials & Components in transit (including receipts pending inspection and acceptance)	39,60	16,37
	Finished Stock	7,26,86	17,49,25
	Work-in-Progress	8,98,26	11,18,94
	Scrap	25,19	5,53
		35,12,36	46,69,02
	Less: Provision for slow/non-moving inventories	6,12,35	6,31,48
		29,00,01	40,37,54
	*Includes stock with C&F Agents/Contractors Ancilliary units/Customs/in Bonds/at site	3,71	9,17
5.2	SUNDRY DEBTORS *		
	UNSECURED		
	Debts outstanding for a period exceeding six months		
	Considered good	17,40,21	18,26,85
	Considered doubtful	84,91,38	80,27,57
	Other Debts:		
	Considered good	51,23,99	56,17,21
		153,55,58	154,71,63
	Less:Provision for Doubtful debts	84,91,38	80,27,57
		68,64,20	74,44,06
	*Debts due by firms or Private Companies in which any Director is a partner or a director or a member	-	-
5.3	CASH AND BANK BALANCES		
	Cash and Cheques on hand and in transit	19,24	16,98
	With Scheduled Banks in Current Account	2,49,91	1,84,79
	With Scheduled Banks in Deposit Account	1,69,36	9,64,30
		4,38,51	11,66,07
5.4	OTHER CURRENT ASSETS		
	Special Tools	1,10,68	1,10,00
		1,10,68	1,10,00

SCHEDULES FORMING PART OF BALANCE SHEET

(Rs. in Thousands)

Sch. No.	As at 31.03.2010	As at 31.03.2009
5.5 LOANS AND ADVANCES*		
SECURED CONSIDERED GOOD:		
Advances	12,22	22,34
	12,22	22,34
UNSECURED CONSIDERED GOOD		
Loans to Subsidiary Companies		
HMT Machine Tools Ltd	8,78,38	8,09,07
HMT Watches Ltd	488,38,25	460,97,15
HMT Chinar Watches Ltd	73,35,22	69,56,92
	570,51,85	538,63,14
Advances to Subsidiary Companies		
HMT Machine Tools Ltd	3,73,28	350,01
HMT Watches Ltd	27,05,87	16,57,95
HMT Chinar Watches Ltd	-	46,41
HMT International Ltd	19,14	20,98
HMT Bearings Ltd	2,14,57	2,01,97
	33,12,86	22,77,32
ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED		
UNSECURED		
Considered Good		
For Capital Expenditure	12,87	41,32
Others	16,32,40	17,30,15
Considered Doubtful		
Others	1,94,47	1,40,13
	18,39,74	19,11,60
Less: Provision for doubtful loans and advances		
Others	1,94,47	1,40,13
	16,45,27	17,71,47
OTHER ADVANCES		
UNSECURED CONSIDERED GOOD		
Balance with Collectors of Customs, Central Excise, etc.,	8,87	18,27
Deposits	2,63,68	2,50,83
Advance Income Tax	9,36	70,26
Advance Fringe Benefit Tax	50,60	47,00
	3,32,51	3,86,36
	623,54,71	583,20,63
*Includes advances due from Directors and Officers of the Company	-	-
Maximum amount due at any time during the year	-	-

SCHEDULES FORMING PART OF BALANCE SHEET

(Rs. in Thousands)

Sch. No.		As at 31.03.2010	As at 31.03.2009
6.1	CURRENT LIABILITIES		
	Acceptances	11,47,60	12,25,17
	Sundry Creditors		
	Dues to Micro, Small & Medium Enterprises	5,96,94	6,13,86
	Other Dues	43,58,25	39,65,35
	Subsidiary Companies		
	HMT Chinar Watches Ltd	3,22,43	-
	Advances received against sales	2,23,35	1,85,91
	Other Liabilities	55,63,93	47,95,60
	Interest accrued but not due on Loans	20,43,63	16,39,65
		142,56,13	124,25,54
6.2	PROVISIONS		
	Taxation	45,24	45,24
	Contingencies	4,06,08	4,12,86
	Gratuity	35,77,27	33,97,22
	Other Provisions	31,51,99	31,64,25
		71,80,58	70,19,57
7.1	MISCELLANEOUS EXPENDITURE		
	(To the extent not written off or adjusted)		
	Technical Assistance Fee	-	29,27
		-	29,27

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

(Rs. in Thousands)

Sch. No.	Year ended 31.03.2010	Year ended 31.03.2009
8.1 SALES*		
Tractors	170,21,73	140,81,76
Food Processing Machinery	4,88,22	3,38,68
Accessories	2,48,56	2,95,38
Sundry jobs and miscellaneous sales	13,99,32	13,74,70
Packing/forwarding charges	5,88	7,01
	191,63,71	160,97,53
* Nett Of Trade Discount		
8.2 JOBS DONE FOR INTERNAL USE		
Shop manufactured Special Tools	1,47,89	1,16,62
	1,47,89	1,16,62
8.3 OTHER INCOME		
Servicing Income	2,82	2,24
Stores issued to contractors and ancillaries	-	71
Recoveries from Staff/Others	2,53,08	2,35,73
Royalties from Subsidiaries	15,34	7,43
from Others	4,78	6,14
Rent received	1,59,69	1,59,69
Profit on sale of assets	6,38	8,47
Dividend from subsidiaries	14,40	14,40
Provisions no longer required withdrawn	1,54,51	3,76,90
Guarantee Fee Subsidy received from GOI	1,22,00	2,14,00
Grant received from GOI	37,06	-
Miscellaneous Income	3,07,96	3,99,03
	10,78,02	14,24,74
8.4 ACCRETION/(DECRETION) TO WORK-IN-PROGRESS, FINISHED STOCK AND SCRAP		
WORK IN PROGRESS		
Closing Balance	8,98,26	11,18,94
Opening Balance	11,18,94	10,97,55
	(2,20,68)	21,39
FINISHED STOCK		
Closing Balance	7,26,86	17,49,25
Opening Balance	17,49,25	29,59,10
	(10,22,39)	(12,09,85)
SCRAP		
Closing Balance	25,19	5,53
Opening Balance	5,53	7,01
	19,66	(1,48)
	(12,23,41)	(11,89,94)

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

(Rs. in Thousands)

Sch. No.	Year ended 31.03.2010	Year ended 31.03.2009
9.1 MATERIALS		
Raw materials and Components		
Opening Stock	8,46,90	9,80,75
Purchases	110,62,11	92,39,52
	119,09,01	102,20,27
Less: Closing Stock	10,24,34	8,46,90
Consumption of Raw Materials and Components	108,84,67	93,73,37
Consumption of Stores, Spares, Tools & Pkg. Matls.*	11,97,88	12,23,07
	120,82,55	105,96,44
*Includes Stores and Spare parts for:		
Repairs to Machinery	509	7,20
9.2 PERSONNEL*		
Salaries, Wages and Bonus	49,08,35	46,42,27
House Rent Allowance	2,00,22	1,99,27
Gratuity	3,82,42	3,49,85
Contribution to PF & FPS	5,46,70	5,06,91
Deposit Linked Insurance	7,25	7,06
Contribution to ESI	5	27
Welfare Expenses	7,17,34	6,60,96
	67,62,33	63,66,59
* Includes		
Wages for repairs to machinery	2,56,13	2,33,97
Payments relating to Directors (including Chairman & Managing Director)		
Salaries	15,15	8,09
Provident Fund	1,21	84
Gratuity	93	62
Medical	1,56	53
9.3 OTHER EXPENSES		
Power and Fuel	3,97,29	4,31,26
Rent	28,51	26,28
Rates and Taxes	54,18	81,68
Excise Duty	4,22	31
Insurance	31,96	22,52
Water and Electricity	2,70,57	2,52,54
Repairs to building	24,71	12,87
Repairs to machinery	6,69	6,19
Printing and Stationery	33,32	31,94
Rebate on Sales	2,07,39	87,88
Advertisement and Publicity	63,26	91,66
Auditors Remuneration #	2,93	2,69

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

(Rs. in Thousands)

Sch. No.	Year ended 31.03.2010	Year ended 31.03.2009
Guarantee Commission to Govt. of India for Bonds & Loans	2,15,98	3,07,98
Provision for slow/non moving inventories	-	26
Provision for Doubtful Debts, Loans and Advances	6,53,52	21,50,78
Warranty claims	1,65,93	1,38,52
Loss sustained by PF Trust	2,79	13,90
Amortisation of Technical Assistance Fees	29,27	5,85
Amortisation of Special Tools	1,57,50	1,32,03
Finance Charges	9,15	11,83
Bank/Discounting Charges	72,77	75,77
Bad Debts written off	9	1,55,96
Carriage outwards	3,93,08	3,22,52
Travelling Expenses *	1,79,30	1,72,34
Miscellaneous Expenses **	5,61,48	4,49,32
Less: Recovery of Common Expenses from Subsidiary Companies	(4,62,30)	(4,66,81)
	31,03,59	45,18,07
# i) - for Audit	1,62	1,53
- in respect of taxation matters	21	21
- in any other manner	30	17
- reimbursement of expenses	32	32
- service tax	27	25
ii) Cost Audit Fee & expenses	21	21
Includes:		
* Travelling Expenses and Travel Insurance relating to Directors (including Chariman and Managing Director)	26,43	22,77
** Directors' Sitting Fees	18	44
9.4 INTEREST		
Government of India Loans	25,86,92	16,49,19
Cash Credit loans from Banks	3,65,59	3,26,56
GOI Guaranteed Short Term Loan	8,99,35	10,28,38
HMT Bonds	6,62,40	6,62,40
GOI Guaranteed HMT Bonds (VRS)	15,51,95	18,18,92
Inter Corporate Loan	43,00	43,00
Short Term Loan from Bank	2,35,25	2,78,68
Others	2,18,34	1,65,73
	65,62,80	59,72,86
Less: Interest Earned		
- on Bank deposits	11,04	9,12
- Interest Subsidy on VRS Bonds from GOI	7,75,52	9,09,46
- Interest from Subsidiaries on HC Loans	38,49,51	37,95,90
Less: Interest Subsidy to Subsidiaries on HC Loans	(4,31,10)	(4,31,10)
- Others	3,90,13	4,55,89
	45,95,10	47,39,27
	19,67,70	12,33,59

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

(Rs. in Thousands)

Sch. No.	Year ended 31.03.2010	Year ended 31.03.2009
9.5 PRIOR PERIOD ADJUSTMENTS(PPA)		
Expenditure		
Other Expenses	5,13	3,59
	5,13	3,59
Less: Income		
Other Income	35	3,69
	4,78	(10)
9.6 DEFERRED TAX ADJUSTMENT		
Reversal of Deferred Tax (Net)	-	1,59,11
	-	1,59,11

11.1 NOTES TO ACCOUNTS

(Rs. in Thousands)

Sch. No.	As at 31.03.2010	As at 31.03.2009
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BALANCE SHEET

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

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

2 The Company is contingently liable for:

2.1 Claims against the Company not acknowledged as debts

A. Tax related claims pending in appeal

- i) Excise Duty
- ii) Sales Tax

2,48	2,48
2,71,87	1,15,13

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

55,36	72,74
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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.

422,77	5,30,75
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2.2 Guarantees/Counter Guarantees issued

18,70,38	17,47,38
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2.3 Bills purchased/discounted

-	57,81
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2.4 Additional Bonus, if any, for the year 1985-86 (Refer Note No.7.1)

2,50	2,75
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2.5 Non receipt of related Forms against levy of concessional Sales Tax

6,55,66	5,09,45
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3 Estimated amount of contracts remaining to be executed on capital account and not provided for

1,22,39	2,21,49
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4 4.1 Issued, Subscribed and paid -up capital includes 84,96,400 shares of Rs.10/- each disinvested by Government of India to Financial Institutions & Mutual Funds. Percentage of Capital

1.12%	1.12%
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4.2 Share Application Money

The Government of India while approving the Revival Plan of HMT Machine Tools Ltd (HMT-MTL), the Subsidiary Company had accorded sanction for cash infusion of Rs.443.00 Crores in the form of 3.5% Preference Share Capital which was routed through the Company for investment in the Preference Share Capital in the Subsidiary, to be redeemed after 3 years i.e. 31.3.2010.

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. Accordingly, an Asset Sale Committee has been constituted in terms of BIFR order and as per their guidelines to dispose off surplus identified assets, since the Subsidiary is under BIFR. The process of sale of surplus immovable properties will take some more

(Rs. in Thousands)

Sch. No.		As at 31.03.2010	As at 31.03.2009
	time. Since the tenure of 3 year Preference Share Capital invested by GOI has been completed on 31.3.2010, the Company has requested the Administrative Ministry to grant extension of time for one more year for allotment/redemption of the Preference Share Capital & the same is under the active consideration of GOI. Pending communication from GOI, the Company has continued to disclose the Preference Share Capital as was done in the Previous year.		
5	Deferred Tax Asset/Liability		
	Accounting for Taxes as per Accounting Standard-22. No Deferred Tax balance as at March 31, 2009, since the opening balance of Deferred Tax Asset of Rs.15911 thousands was reversed in view of c/f business losses and unabsorbed depreciation, as no virtual certainty of realisation of Asset in the near future. Hence, Deferred Tax Asset has not been recognised during the year.		
6	Inventories include:		
	Excise Duty paid/payable on Closing Stock of Finished Goods	7,75	14,76
7	Advances Include:		
	7.1 Amounts recoverable from employees advances, bonus, etc., pending adjudication /negotiations	29,42	32,33
	7.2 Adhoc payments to employees towards Wage/Salary, DA arrears, if any, pending adjustment and provision to this extent has been made in the accounts	10,93,02	11,24,72
	7.3 Advance Income Tax (TDS) from A.Y 1992-93 to A.Y. 2001-02 claimed by the Company, disallowed by the Tax Authorities during 2004-05 and the Company has filed Review petition before the Committee of Disputes (COD). However, provision for the same has been made during the year.	-	64,78
8	Current Liabilities		
	8.1 Dues to Micro, Small & Medium Enterprises based on the information available with the Company		
	a) i) Principal	5,96,93	6,13,86
	ii) Interest	88,24	32,04
	b) Amount of interest paid	-	-
	c) Amount of interest accrued and remaining unpaid at the end of each accounting year		
		2007-08	64
		2008-09	31,24
		2009-10	56,36
	8.2 Other Liabilities include unspecified /excess credits in the bank accounts	4,49	4,49
9	Balances under 'Sundry Debtors', 'Loans & Advances', and 'Current Liabilities' are subject to confirmation, although confirmation has been sought in most of the cases.		

(Rs. in Thousands)

Sch. No.	Year ended 31.03.2010	Year ended 31.03.2009
-------------	--------------------------	--------------------------

PROFIT & LOSS ACCOUNT

10	Sales is net off sales returns in respect of Tractors-22 Nos. (Previous year 4 Nos.) & Spares	83,74	20,61
11	Salaries and Wages include		
11.1	Provision for Earned Leave encashment made based on Actuarial valuation of Earned Leave at credit as at the year end.	2,67,21	2,63,02
11.2	Provision for Settlement Allowance made based on Actuarial Valuation.	19,53	30,22
12	Gratuity has been provided for/paid under a Group Gratuity Policy with Life Insurance Corporation of India. Additional provision made during the year for full coverage (based on salary at year end) in excess of Rs.50,000/- per employee based on actuarial valuation by LIC	3,82,42	3,49,85
13	Value of Special Tools individually costing less than Rs.750 written off during the year	1,01,99	76,40
14	Voluntary Retirement Compensation, Gratuity, Earned Leave Encashment and Settlement Allowance paid to employees under Voluntary Retirement Scheme treated as Deferred Revenue Expenditure and amortised over a period of 5 years and previous year being last year of amortisation.	-	1,00,73
15	Change in Accounting Policy during the previous year Fixed Assets Reconditioning expenditure: Expenditure incurred on Reconditioning of Plant, Machinery and Equipment was hitherto amortised over a technically evaluated period of useful life not exceeding 5 years with pro-rata write off in the initial year. Impact due to change has resulted in		
	a. Reversal of DRE written off upto 31.3.2008	-	15,95
	b. Depreciation accounted upto 31.3.2008	-	6,15
	c. Net Impact (decrease in loss)	-	9,80
16	Revenue expenditure on Research & Development charged to profit & loss account.	1,72,52	1,42,36
17	Previous year's figures have been reclassified wherever necessary to conform to this year's classification		

NOTES FORMING PART OF PROFIT AND LOSS ACCOUNT

(Rs. in Thousands)

Sch. No.	Year ended 31.03.2010		Year ended 31.03.2009	
1	CONSUMPTION OF RAW MATERIALS AND COMPONENTS			
	Quantity in MT	Value	Quantity in MT	Value
Steel	536	3,05,77	426	3,15,60
Non-ferrous Metals	2	52	2	48
Ferrous Castings	1605	8,71,84	1266	7,36,20
Non-ferrous Castings	1	2,35	1	2,17
Forgings	1230	6,44,00	911	6,38,51
Standard parts		71,34		66,67
Components		89,84,79		76,10,01
Others		4,06		3,73
		108,84,67		93,73,37
2	TURNOVER			
	Quantity in Nos.	Value	Quantity in Nos.	Value
Tractors	4901	170,34,89	4109	140,81,76
Food Processing Machines	154	4,88,22	133	3,38,68
Accessories		2,48,55		2,95,38
Sundry Jobs and Miscellaneous Sales		13,92,05		13,81,71
		191,63,71		160,97,53

NOTES FORMING PART OF PROFIT AND LOSS ACCOUNT

(Rs. in Thousands)

Sch. No.		Year ended 31.03.2010		Year ended 31.03.2009	
3	INFORMATION REGARDING IMPORTS, EXPENDITURE AND EARNINGS IN FOREIGN CURRENCY/EXCHANGE AND CONSUMPTION				
	(a) CIF VALUE OF IMPORTS:				
	Raw Materials	38,69		-	
	Components and Spare Parts	-		25,66	
	Capital Goods	-		15,00	
	(b) EXPENDITURE IN FOREIGN CURRENCY (ON PAYMENT BASIS) ON ACCOUNT OF TRAVELLING EXPENSES	1,66		-	
	(c) CONSUMPTION OF RAW MATERIALS, COMPONENTS, STORES & SPARE PARTS				
	Imported	0.3%	37,92	0.2%	36,81
	Indigenous	99.7%	120,44,63	99.8%	105,59,63
	(d) EARNINGS IN FOREIGN EXCHANGE				
	EXPORTS				
	[Routed through the wholly owned Subsidiary, HMT (International) Ltd.]		Nil		Nil
	Others		5,70		17,06

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

Products	Unit	Licensed Capacity	Installed Capacity	Production	Opening Finished Stock	Closing Finished Stock
Tractors	Nos	25000 (25000)	8500 (8800)	4652 (3651)	424 (882)	175 (424)
Food Processing Machines	Nos	650 (650)	295 (295)	152 (135)	7 (5)	5 (7)

1. Figures in Brackets relate to previous year

DISCLOSURE REQUIRED AS PER ACCOUNTING STANDARD - 15 (REVISED)

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

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

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

The liability for gratuity premium under Group Gratuity Scheme with LIC to the extent of Rs.50000/- as on 31-03-2010 is Rs.218.27 lakhs. The provision for gratuity as on 31-03-2010 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 Rs.3577.27 lakhs

Defined Benefit Plan

(Rs. in Lakhs)

	Gratuity (Funded)	
	2009-10	2008-09
1. Reconciliation of changes in respect of obligations		
Present value of obligation as at beginning of year	710.28	729.47
Interest cost	56.82	58.36
Current Service Cost	0.88	1.24
Benefits Paid	34.50	36.34
Actuarial (gain)/loss on obligations	(34.54)	(42.45)
Present value of obligation as at end of year	698.94	710.28
2. Reconciliation of changes in the fair value of plan assets		
Fair value of plan assets of beginning of year	472.69	440.84
Expected return on plan assets	44.50	41.39
Contributions	38.07	26.80
Benefits paid	34.50	36.34
Actual Gain / (Loss) on Plan assets	-	-
Fair value of plan assets at the end of year	520.76	472.69
3. Reconciliation of fair value of plan assets		
Fair value of plan assets at beginning of year	472.69	440.84
Actual return on plan assets	44.50	41.39
Contributions	38.07	26.80
Benefits Paid	34.50	36.34
Fair value of plan assets at the end of year	520.76	472.69
Funded status	178.18	237.59

DISCLOSURE REQUIRED AS PER ACCOUNTING STANDARD - 15 (REVISED)

	Gratuity (Funded)	
	2009-10	2008-09
4 Actuarial Gain/Loss recognized		
Actuarial gain/(loss) for the year - Obligation	34.54	42.45
Actuarial gain/(loss) for the year - plan assets	-	-
Total (gain)/loss for the year	(34.54)	(42.45)
Actuarial gain/(loss) recognised in the year	34.54	42.45
5 Amounts recognised in the Balance Sheet and Profit & Loss A/c		
Present value of obligations as at the end of the year	698.94	710.28
Fair Value of plan assets as at the end of the year	520.76	472.69
Funded Status	178.18	237.59
Net Asset/(liability) recognised in balance sheet	(178.18)	(237.59)
6 Expenses Recognised in statement of Profit & Loss Account		
Current Service Cost	0.88	1.24
Interest Cost	56.82	58.36
Expected return on plan assets	44.50	41.39
Net Actuarial (gain)/loss recognised in the year	(34.54)	(42.45)
Expenses recognised in statement of Profit & Loss	(21.34)	(24.24)

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	(Rs. In Thousands)	
		<u>2009-10</u>	<u>2008-09</u>
	Advances given for expenses	1,90	1,87
	Advances reimbursed by the Company	-	3,00
4	Outstanding at the year end	4,66	2,76
	- Advance receivable		

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

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

	(Rs. in Thousands)	
Opening Balance as on 1.4.2009		74,50
Additions during 2009-10		1,15,46
Total		1,89,96
Less: Used during 2009-10		
Utilised	73,65	
Withdrawn	85	74,50
Closing Balance as on 31.3.2010		1,15,46

EARNINGS PER SHARE (EPS)

	2009-10	2008-09
Profit/(loss) as per Profit & Loss Account (Rs. in Thousands)	(52,90,53)	(70,79,43)
Weighted Average number of Equity Shares (in Nos)	760350140	760350140
Basic and Diluted Earning per Share (in Rs.)	(0.70)	(0.93)
Nominal Value of Shares (in Rs.)	10	10

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

(Rs. in Lakhs)

	Year ended 31.03.2010	Year ended 31.03.2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) Before Tax and Extra-ordinary Items	(5291)	(6898)
Adjustment for:		
Depreciation	392	340
Profit on Sale of Fixed Assets (net)	(6)	(8)
Amortisation of Special Tools	158	132
Foreign Exchange (net)	-	-
Interest debited (Net)	1968	1234
Dividend received	(14)	(14)
Deferred Revenue Expenditure (Net)	29	107
Provision for slow/non moving inventories, Doubtful debts, Advances and Investments	499	1774
Operating Profit Before Working Capital Changes	(2265)	(3333)
Adjustment for:		
(Increase)/Decrease in Trade & Other Receivables	646	1705
(Increase)/Decrease in Inventories	1156	1277
(Increase)/Decrease in Other Current Assets	(158)	(125)
Increase/(Decrease) in Trade payables	1265	(112)
	2909	2745
Cash Generated From Operations	644	(588)
Deferred Revenue Expenditure	-	62
Direct Taxes paid	(4)	(23)
CASH FLOW BEFORE EXTRA-ORDINARY ITEMS	640	(549)
Extra Ordinary Items	-	-
NET CASH FROM OPERATING ACTIVITIES	640	(549)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(327)	(681)
Sale proceeds of Fixed Assets	7	9
Sale of Investments	15	-
Dividend Received	14	14
(Payment)/Receipt-Subsidiaries	(483)	717
Interest Received	11	9
NET CASH USED IN INVESTING ACTIVITIES	(763)	68

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

(Rs. in Lakhs)

	Year ended 31.03.2010	Year ended 31.03.2009
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Share Capital	-	-
Proceeds from Long Term/Short Term Borrowings	12055	3763
Repayment of Long Term/Short Term Borrowings	(9171)	-
Exchange Difference (net)	-	-
Interest Paid	(3488)	(3394)
NET CASH USED IN FINANCING ACTIVITIES	(604)	369
NET INCREASE IN CASH AND CASH EQUIVALENTS	(727)	(112)
CASH AND CASH EQUIVALENTS AS AT 1ST APRIL (Opening Balance)	1166	1278
CASH AND CASH EQUIVALENTS AS AT 31ST MARCH (Closing Balance)	439	1166
	(727)	(112)

For and on behalf of the Board

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

A.V. Kamat
Chairman and
Managing Director

S.G. Sridhar
Director, Operations

B. Manikya Prakash
General Manager,
Corporate Finance

U.Jagadish Nayak
Company Secretary

O.D. Golcha
Partner
M.No.12502

Place : Bangalore
Date : 28.06.2010

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

Balance Sheet Abstract and Company's General Business Profile :

I Registration Details:

Registration No.

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

 State Code:

	0	8
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Balance Sheet Date

3	1	-	0	3	-	2	0	1	0
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Date Month Year

II Capital Raised during the year (Amount in Rs.Thousands)

Public Issue	Right Issue																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>						N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>						N	I	L
					N	I	L										
					N	I	L										
Bonus Issue	Private Placement																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>						N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>						N	I	L
					N	I	L										
					N	I	L										

III Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	Total Assets																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>8</td><td>2</td><td>4</td><td>2</td><td>6</td><td>3</td><td>9</td></tr></table>	1	8	2	4	2	6	3	9	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>8</td><td>2</td><td>4</td><td>2</td><td>6</td><td>3</td><td>9</td></tr></table>	1	8	2	4	2	6	3	9
1	8	2	4	2	6	3	9										
1	8	2	4	2	6	3	9										
Paid up Capital	Share Application Money																
Sources of Funds <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>7</td><td>6</td><td>0</td><td>3</td><td>5</td><td>0</td><td>1</td></tr></table>		7	6	0	3	5	0	1	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>4</td><td>4</td><td>3</td><td>0</td><td>0</td><td>0</td><td>0</td></tr></table>		4	4	3	0	0	0	0
	7	6	0	3	5	0	1										
	4	4	3	0	0	0	0										
Reserves & Surplus	Secured Loans																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>						N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>2</td><td>5</td><td>4</td><td>6</td><td>5</td><td>1</td><td>9</td></tr></table>		2	5	4	6	5	1	9
					N	I	L										
	2	5	4	6	5	1	9										
Application of Funds	Unsecured Loans																
Net Fixed Assets	Investments																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>4</td><td>0</td><td>2</td><td>8</td><td>2</td><td>7</td></tr></table>		4	0	2	8	2	7	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>7</td><td>6</td><td>5</td><td>5</td><td>5</td><td>8</td><td>7</td></tr></table>		7	6	5	5	5	8	7	
	4	0	2	8	2	7											
	7	6	5	5	5	8	7										
Net Current Assets	Misc. Expenditure																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>5</td><td>1</td><td>2</td><td>3</td><td>1</td><td>4</td><td>0</td></tr></table>		5	1	2	3	1	4	0	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>						N	I	L
	5	1	2	3	1	4	0										
					N	I	L										
	Accumulated Losses																
	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>5</td><td>0</td><td>6</td><td>1</td><td>0</td><td>8</td><td>5</td></tr></table>		5	0	6	1	0	8	5								
	5	0	6	1	0	8	5										

IV Performance of Company (Amount in Rs.Thousands)

Turnover	Total Expenditure																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>2</td><td>0</td><td>0</td><td>9</td><td>7</td><td>8</td><td>1</td></tr></table>		2	0	0	9	7	8	1	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>2</td><td>5</td><td>3</td><td>8</td><td>8</td><td>3</td><td>4</td></tr></table>		2	5	3	8	8	3	4
	2	0	0	9	7	8	1										
	2	5	3	8	8	3	4										
+ - Profit/(Loss) before Tax	+ - Profit/(Loss) after Tax																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>(-)</td><td>5</td><td>2</td><td>9</td><td>0</td><td>5</td><td>3</td></tr></table>		(-)	5	2	9	0	5	3	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>(-)</td><td>5</td><td>2</td><td>9</td><td>0</td><td>5</td><td>3</td></tr></table>		(-)	5	2	9	0	5	3
	(-)	5	2	9	0	5	3										
	(-)	5	2	9	0	5	3										
Earnings per Share in Rs.	Dividend Rate (%)																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>(0.70)</td></tr></table>							(0.70)	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>						N	I	L	
						(0.70)											
					N	I	L										

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

Item Code No. (ITC Code)

	8	7	.	0	1
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Product Description

	Tractor				
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For and on behalf of the Board

A.V. Kamat
Chairman and
Managing Director

S.G. Sridhar
Director, Operations

B. Manikya Prakash
General Manager,
Corporate Finance

U.Jagadish Nayak
Company Secretary

Place : Bangalore
Date : 28.06.2010

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

1.	Name of The Subsidiary	HMT (International) Ltd	HMT Bearings Ltd	HMT Machine Tools Ltd	HMT Watches Ltd	HMT Chinar Watches Ltd
2.	Financial Year of the Subsidiary ended on	31st March 2010	31st March 2010	31st March 2010	31st March 2010	31st March 2010
3.	Holding Company's Interest Equity Share Capital	All 7,20,000 Equity Shares (including Bonus Shares) of Rs.10 each fully paid up	3,74,68,586 Equity Shares out of 3,77,09,086 shares of Rs.10 each fully paid up	27,65,99,137 Equity shares of Rs.10 each fully paid up	64,90,100 Equity Shares of Rs.10 each fully paid up	16,60,100 Equity Shares of Rs.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	2,66,03	(15,21,29)	(45,80,05)	(168,34,94)	(49,94,01)
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	22,27,07	(61,26,88)	(715,31,53)	(1130,54,38)	(293,41,70)
6.	Net aggregate amount received as dividends for previous financial years since becoming a Subsidiary dealt with in the accounts of the Holding Company in the relevant years	2,74,20	5,94,21	Nil	Nil	Nil

For and on behalf of the Board

A.V. Kamat
Chairman and
Managing Director

S.G. Sridhar
Director, Operations

B. Manikya Prakash
General Manager,
Corporate Finance

U.Jagadish Nayak
Company Secretary

Place : Bangalore
Date : 13.8.2010

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 2010, and also the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets of Rs.499.33 crores as at 31st March 2010, the total revenues of Rs.277.51 crores and net cash outflows amounting to Rs.22.16 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 requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, notified by the Companies (Accounting Standards) Rules, 2006.
5. 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 to the best of our information and according to the explanations given to us, 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 2010;
 - b) in the case of the consolidated Profit and Loss Account, of the consolidated loss of HMT Limited and its Subsidiaries for the year ended on that date; and
 - c) in the case of consolidated Cash Flow Statement, of the Consolidated Cash Flows of HMT Limited and its Subsidiaries for the year ended on that date.

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

O. D. Golcha
Partner
M. No.12502

Place : Bangalore
Date : 13.08.2010

SIGNIFICANT ACCOUNTING POLICIES FOR CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation of financial statements

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

Fixed Assets

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

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

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

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

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

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

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

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

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

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

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

Items of Capital Assets with WDV of 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 except assets costing less than Rs.5000/- per asset which is written off to Re.1/- in the year of purchase.

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

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

Investments

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

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

Inventories

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

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

Development & Commissioning

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

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

Deferred Revenue Expenditure

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

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

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

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

Revenue recognition

Sales are set up based on:

Physical delivery of goods to the customer / customer's

carrier /common carrier, duly supported by invoice, excise duty paid challan, gate pass, delivery voucher and LR / GR, in case of ex-works contracts.

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

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

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

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

Foreign currency transactions

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

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

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

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

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

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

The net exchange difference resulting from the translation of items in the financial statements of the

foreign branches/offices/projects is recognized in the revenue.

Borrowing costs

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

Employee Benefits

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

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

Gratuity is provided for, under a defined benefit scheme, to cover the eligible employees, liability being determined on actuarial valuation. Annual contributions are made, to the extent required, to a trust constituted and administered by the Life Insurance Corporation of India under which the coverage is limited to 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 benefit scheme, contributions are made to the Pension Fund administered by the Government.

Warranty

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

Special Tools

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

Research and Development Costs

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

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

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

Income Tax

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

Earnings per share

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

Others

The amount of Rs.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 Rs.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.

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2010

(Rs. in Thousands)

	Sch. No.	As at 31.03.2010	As at 31.03.2009
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	1.1	760,35,01	760,35,01
Share Application Money	1.2	443,00,00	443,00,00
RESERVES AND SURPLUS	1.3	22,70,82	22,70,82
LOAN FUNDS			
Secured Loans	2.1	300,84,99	389,03,53
Unsecured Loans	2.2	1330,38,11	1002,52,52
		<u>1631,23,10</u>	<u>1391,56,05</u>
		<u>2857,28,93</u>	<u>2617,61,88</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	3.1	689,42,94	657,23,90
Less: Depreciation		<u>545,52,76</u>	<u>532,57,49</u>
Net Block		143,90,18	124,66,41
Capital Work-in-Progress		64,36	5,43,11
Machinery and Equipment in transit and under inspection/erection		11,05,49	7,37,38
INVESTMENTS	4.1	2,32,08	2,48,07
DEFERRED TAX (NET)	7.1	(1,10,89)	(1,09,03)
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	5.1	167,62,02	212,13,51
Sundry Debtors	5.2	143,70,53	148,70,08
Cash and Bank Balances	5.3	88,38,31	117,82,68
Other Current Assets	5.4	3,36,44	3,51,19
Loans and Advances	5.5	81,34,53	85,39,21
		<u>484,41,83</u>	<u>567,56,67</u>
Less: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	6.1	461,36,85	435,28,29
Provisions	6.2	287,36,93	288,82,03
		<u>748,73,78</u>	<u>724,10,32</u>
Net Current Assets		(264,31,95)	(156,53,65)
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	7.2	5,79	37,18
PROFIT AND LOSS ACCOUNT	1.3	2964,73,87	2634,92,41
		<u>2857,28,93</u>	<u>2617,61,88</u>
NOTES	11.1		
Accounting Policies form part of the Accounts			

For and on behalf of the Board

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

A.V. Kamat
 Chairman and
 Managing Director

S.G. Sridhar
 Director, Operations

B. Manikya Prakash
 General Manager,
 Corporate Finance

U.Jagadish Nayak
 Company Secretary

O.D. Golcha
 Partner
 M.No.12502

 Place : Bangalore
 Date : 13.08.2010

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

(Rs. in Thousands)

	Sch. No.	Year ended 31.03.2010	Year ended 31.03.2009
EARNINGS			
Sales (Gross)	8.1	425,31,09	390,34,11
Less: Excise Duty		18,62,77	24,21,21
Net Sales		406,68,32	366,12,90
Transfer to Plant		11,16,86	1,41,55
Other Income	8.3	44,56,70	44,71,86
Accretion/(Decretion) to Finished Stock, Work-in-Progress and Scrap	8.4	(30,12,54)	(7,79,02)
		<u>432,29,34</u>	<u>404,47,29</u>
Less:OUTGOINGS			
Materials	9.1	211,87,60	197,38,21
Personnel	9.2	261,00,58	258,04,52
Depreciation	3.1	13,65,31	11,61,94
Other Expenses	9.3	94,86,43	105,98,59
Interest	9.4	173,26,16	138,14,54
VRS Compensation		13,08,67	49,79,79
Less: Jobs done for Internal use	8.2	(8,44,66)	(5,36,03)
		<u>759,30,09</u>	<u>755,61,56</u>
Profit/(Loss) before adjustment of PPA & EOI		(327,00,75)	(351,14,27)
Less: Prior Period Adjustments (PPA)	9.5	1,33,98	1,80,20
Add: Extra Ordinary Items (EOI)	9.6	-	4,68,12
Profit/(Loss) Before Tax		(328,34,73)	(348,26,35)
Less: Tax Provision		1,28,00	16,00
Less: Deferred tax	9.7	1,86	1,98,74
Less: Fringe Benefit tax		-	1,09,51
Profit/(Loss) After Tax		(329,64,59)	(351,50,60)
Reserves withdrawn	10.1	68	4,00
		<u>(329,63,91)</u>	<u>(351,46,60)</u>
Less: Transfer to General Reserve		2,50,00	93,00
Balance Carried to Balance sheet		<u>(332,13,91)</u>	<u>(352,39,60)</u>
Basic/Diluted Earnings Per Share of Rs.10/- each (in Rupees)		(4.34)	(4.62)
No. of Equity Shares (Weighted Average Basis)		760350140	760350140
NOTES	11.1		
Accounting Policies form part of the Accounts			

For and on behalf of the Board

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

A.V. Kamat
 Chairman and
 Managing Director

S.G. Sridhar
 Director, Operations

B. Manikya Prakash
 General Manager,
 Corporate Finance

U.Jagadish Nayak
 Company Secretary

O.D. Golcha
 Partner
 M.No.12502

 Place : Bangalore
 Date : 13.08.2010

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

(Rs. in Thousands)

Sch. No.		As at 31.03.2010	As at 31.03.2009		
1.1	SHARE CAPITAL				
	AUTHORISED				
	1,00,00,00,000 (Previous year 1,00,00,00,000) Equity Shares of Rs.10/- each	1000,00,00	1000,00,00		
	4,50,00,00,000 (Previous year 4,50,00,00,000) Preference Shares of Rs.100/- each	450,00,00	450,00,00		
		1450,00,00	1450,00,00		
	ISSUED, SUBSCRIBED AND PAID-UP				
	76,03,50,140 (Prev. year 76,03,50,140) Equity Shares of Rs.10/- each fully paid-up (of the above 3,18,85,900 [Prev. year 3,18,85,900 shares] are allotted as fully paid-up for consideration other than cash)	760,35,01	760,35,01		
		760,35,01	760,35,01		
1.2	SHARE APPLICATION MONEY				
	Towards 3.5% Redeemable Preference Share Capital under Revival Plan of HMT Machine Tools Ltd, a Subsidiary Company, approved by Govt. of India	443,00,00	443,00,00		
		443,00,00	443,00,00		
1.3	RESERVES AND SURPLUS				
	Capital Reserve	22,70,82	22,70,82		
	Differential amount in the face value of Equity Shares held by Government of Andhra Pradesh and Government of India in the erstwhile Praga Tools Ltd, which is merged with HMT Machine Tools Ltd and the consideration of Re.1/- to be paid to each of them as per the scheme of Merger sanctioned by BIFR.				
	PROFIT AND LOSS ACCOUNT				
		As at 01.04.2009	Withdrawals	Additions	As at 31.03.2010
	Foreign Project Reserve Account	68	68	-	-
	General Reserve	157,46,97	-	2,50,00	159,96,97
	Profit/Loss Account	(2792,40,06)	16,87#	(332,13,91)	(3124,70,84)
		(2634,92,41)	17,55	(329,63,91)	(2964,73,87)
	# represents adjustment of Dividend from Subsidiary				
2.1	SECURED LOANS				
	3 YEAR BONDS 2001				
	Non Convertible Bonds with varying rates of interest @ 10% & 12% redeemable at par, the earliest date of redemption being 30-11-2003, secured by assets of the Company located at Pinjore and assets of Machine Tools Ltd., a Subsidiary Company, located at Ajmer. Trust Deed in favour of the bond holders is pending execution.	60,50,00			60,50,00
	Interest Accrued and Due	18,06,43			18,06,43

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

(Rs. in Thousands)

Sch. No.	As at 31.03.2010	As at 31.03.2009
BONDS 2002		
Non-Convertible Bonds Secured by Residual Charge on immovable assets of the Company and corporate guarantee by HMT Ltd. Pending creation of Residual charge in favour of bond holders.	85,00	85,00
Interest Accrued and Due	52,06	41,95
8 YEAR 8.5% HMT BONDS 2002 - Guaranteed by Central Government		
Non Convertible Bonds redeemable at par, the date of redemption due on 27-11-2010, secured by registered mortgage of the immovable property of the Company in the State of Maharashtra in favour of UCO Bank, the Trustees, vide Trust Deed dated 22-7-2003	122,28,00	213,99,00
FROM BANKS		
Cash Credit from Bank secured by hypothecation of Inventories and Sundry Debtors by first charge ranking 'pari passu' inter-se the participating banks & secured by mortgage of Company's Immovable property.	75,72,23	63,11,87
Short Term Loans secured by hypothecation of inventories and sundry debtors by first charge and collateral security by way of equitable mortgage by deposit of title deed of immovable property of the Company ranking pari passu inter-se the participating banks and against term deposit with bank.	22,71,34	25,01,59
Interest Accrued and Due	19,93	38,51
Term Loan from Bank secured by Hypothecation and inventories, receivables and fixed deposits by first charge as primary security.	-	6,69,18
	300,84,99	389,03,53
2.2 UNSECURED LOANS		
Short Term Loan from Bank Guaranteed by Central Government	93,98,00	93,98,00
Interest Accrued and Due	-	2,51
5 Year Bonds - 1999-2000	50,00	50,00
Interest Accrued and Due	22,17	22,17
Short Term Loan from Banks	5,85,61	2,54,04
Loans from Govt. of India	810,11,06	609,61,82
Interest Accrued and Due	419,71,27	295,63,98
	1330,38,11	1002,52,52

3.1 FIXED ASSETS

(Rs in Thousands)

Particulars	Gross Block at cost as at 1.4.2009	Additions	Deductions / Adjustments	Gross Block at cost as at 31.3.2010	Depreciation as at 1.4.2009	Deductions / Adjustments *	Depreciation during the year**	Total Depreciation as at 31.3.2010	Net Block as at 31.3.2010	Net Block as at 1.4.2009
Land & Land Development	7,10,66	-	-	7,10,66	-	-	-	-	7,10,66	7,10,66
Land-Leasehold	27,21	-	16	27,05	7,44	-	30	7,74	19,31	19,77
Buildings	67,54,26	63,33	-	68,17,59	42,51,41	(6)	1,04,40	43,55,75	24,61,84	25,02,85
Plant and machinery	559,08,40	32,49,25	79,04	590,78,61	469,68,27	(30,50)	12,02,97	481,40,74	109,37,87	89,40,13
Furniture, Fittings & Office Appliances	19,89,70	26,44	12,93	20,03,21	17,36,61	(12,91)	50,82	17,74,52	2,28,69	2,53,09
Transport Vehicles	3,33,67	-	27,85	3,05,82	2,93,76	(26,57)	6,82	2,74,01	31,81	39,91
Total	657,23,90	33,39,02	1,19,98	689,42,94	532,57,49	(70,04)	13,65,31	545,52,76	143,90,18	124,66,41
Previous year	608,64,49	49,42,03	82,62	657,23,90	521,69,40	(73,85)	11,61,94	532,57,49	124,66,41	

Note

- 1) Includes prior period adjustment/depreciation *Rs. 1 (Previous year ** Rs. 1,48) thousands
- 2) Quantum of loss dues to "Impairment of Assets" as per AS-28 – NIL

LAND

1. The Company is in possession of gift land located at Bangalore, Pinjore, Kalamassery, Hyderabad measuring 267.49 acres, 839.40 acres, 378.85 acres, 888.05 acres, nominally valued at Rs. 1/-, gifted by the respective State Governments.

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

(Rs. in Thousands)

Sch. No.	As at 31.03.2010	As at 31.03.2009
4.1 INVESTMENTS		
[LONG TERM – AT COST]		
INVESTMENTS IN GOVERNMENT SECURITIES (UNQUOTED)		
TRADE INVESTMENTS (QUOTED)		
OTHER INVESTMENTS (UNQUOTED)		
30,00,000 (Previous year 30,00,000) Ordinary Shares of Naira 1 each fully paid up in Nigeria Machine Tools Ltd, Nigeria	1,71,55	1,71,55
20,84,050 (Previous year 20,84,050) Equity Shares of Rs. 1 each fully paid up in Gujarat State Machine Tools Corporation Limited, Bhavnagar	20,84	20,84
Nil (Previous year 14,970) Equity Shares of Rs.100 each fully paid up in Karnataka State Co-operative Apex Bank Ltd. Bangalore	-	14,97
2,94,800 (Previous year 2,94,800) Equity Shares of Rs.10/- each (of which 1,34,000 [Prev. year 1,34,000] Shares at a premium of of Rs.140/- each) fully paid up in Andhra Pradesh Gas Power Corporation Limited, Hyderabad	2,17,08	2,17,08
1,50,000 (Previous year 1,50,000) Equity Shares of Rs 10 each fully paid up in Sudmo HMT Process Engineers (India) Ltd., Bangalore	15,00	15,00
Nil (Previous year 5100) Equity Share of Rs.20/- each fully paid up in COSMOS Co-operative Bank Limited, Mumbai	-	1,02
	4,24,47	4,40,46
Less: Provision for dimunition in value of Investments		
Nigeria Machine Tools, Nigeria	1,71,55	1,71,55
Gujarat State Machine Tools Corporation Ltd, Bhavnagar	20,84	20,84
	1,92,39	1,92,39
	2,32,08	2,48,07

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

(Rs. in Thousands)

Sch. No.	As at 31.03.2010	As at 31.03.2009
5.1 INVENTORIES*		
Stores and Spare Parts	20,10,08	24,08,21
Tools and Instruments	9,82,47	10,65,05
Raw Materials and Components	45,13,82	50,68,70
Materials & Components in transit (including receipts pending inspection and acceptance)	3,32,93	2,59,09
Finished Stock	62,94,13	81,73,63
Work-in-Progress	77,94,28	89,56,59
Scrap	1,53,80	1,24,54
	220,81,51	260,55,81
Less: Provision for non/slow moving inventories	53,19,49	48,42,30
	167,62,02	212,13,51
*Includes stock with C&F Agents/Contractors Ancilliary units/Customs/in Bonds/on Loan/at site	9,86,04	8,22,64
5.2 SUNDRY DEBTORS *		
UNSECURED		
Debts outstanding for a period exceeding six months		
Considered good	53,23,65	49,56,07
Considered doubtful	150,95,52	140,94,77
Other Debts:		
Considered good	90,46,88	99,14,01
	294,66,05	289,64,85
Less:Provision for Doubtful debts	150,95,52	140,94,77
	143,70,53	148,70,08
*Debts due by firms or Private Companies in which any Director is a partner or a director or a member	-	-
5.3 CASH AND BANK BALANCES		
Cash and Cheques on hand and in transit	4,72,03	4,39,62
With Scheduled Banks in Current Account	20,72,51	12,13,40
With Scheduled Banks in Deposit Account	62,92,56	101,28,58
With Post Offices in Savings Bank Accounts*	1,21	1,08
	88,38,31	117,82,68
*Pass Books deposited with Central Excise Authorities		

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

(Rs. in Thousands)

Sch. No.	As at 31.03.2010	As at 31.03.2009
5.4 OTHER CURRENT ASSETS		
Special Tools	<u>3,36,44</u>	<u>3,51,19</u>
	3,36,44	3,51,19
5.5 LOANS AND ADVANCES*		
SECURED CONSIDERED GOOD:		
Advances	<u>40,56</u>	<u>74,69</u>
	40,56	74,69
UNSECURED CONSIDERED GOOD		
ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR		
VALUE TO BE RECEIVED		
UNSECURED		
Considered Good		
For Capital Expenditure	44,89	72,32
Others	67,28,43	69,14,93
Considered Doubtful		
For Capital Expenditure	7,26	7,26
Others	9,79,08	9,05,35
	77,59,66	78,99,86
Less: Provision for doubtful advances		
For Capital Expenditure	7,26	7,26
Others	9,79,08	9,05,35
	67,73,32	69,87,25
OTHER ADVANCES		
UNSECURED CONSIDERED GOOD		
Balance with Collectors of Customs, Central Excise, etc.,	60,71	65,93
Deposits	9,15,82	9,16,77
Advance Income Tax	1,62,04	1,77,76
Advance Fringe Benefit Tax	1,82,08	3,16,81
	13,20,65	14,77,27
	81,34,53	85,39,21

*Includes advances due from Directors and Officers of the Company
Maximum amount due at any time during the year

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

(Rs. in Thousands)

Sch. No.	As at 31.03.2010	As at 31.03.2009
6.1 CURRENT LIABILITIES		
Acceptances	15,49,60	15,20,16
Sundry Creditors		
Dues to Micro and Small Enterprises	7,91,39	6,83,07
Other Dues	157,48,54	149,03,84
Advances received against sales	40,70,08	37,43,34
Other Liabilities	144,55,13	145,33,35
Interest accrued but not due on Loans	95,22,11	81,44,53
	<u>461,36,85</u>	<u>435,28,29</u>
6.2 PROVISIONS		
Taxation	3,50,60	4,26,57
Contingencies	6,99,87	4,54,33
Gratuity	144,75,56	144,33,76
Other Provisions	132,10,90	135,67,37
	<u>287,36,93</u>	<u>288,82,03</u>
7.1 DEFERRED TAX (NET)		
Deferred Tax Asset	-	-
Deferred Tax Liability	<u>(1,10,89)</u>	<u>(1,09,03)</u>
	<u>(1,10,89)</u>	<u>(1,09,03)</u>
7.2 MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Technical Assistance Fee	5,79	37,18
	<u>5,79</u>	<u>37,18</u>

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rs. in Thousands)

Sch. No.	Year ended 31.03.2010	Year ended 31.03.2009
8.1 SALES		
INLAND *		
MACHINE TOOLS		
Machine Tools	153,97,16	143,39,04
Accessories	19,77,17	19,85,48
Sundry jobs and miscellaneous sales	23,74,86	34,79,04
Packing/forwarding charges	<u>95,64</u>	<u>1,14,38</u>
	198,44,83	199,17,94
WATCHES		
Watches	8,99,51	12,09,22
Watches issued to employees/others	6,44	1,00
Sundry jobs and miscellaneous sales	1,22,84	1,12,63
Packing/forwarding charges	<u>98,00</u>	<u>99,10</u>
	11,26,79	14,21,95
BEARINGS		
Ball & Roller Bearings	6,84,01	8,70,99
	<u>6,84,01</u>	<u>8,70,99</u>
TRACTORS & OTHERS		
Tractors	170,21,73	140,81,76
Food Processing Machinery	4,88,22	3,38,68
Accessories	2,48,56	2,95,38
Sundry jobs and miscellaneous sales	13,99,32	13,74,70
Packing/forwarding charges	<u>5,88</u>	<u>7,01</u>
	191,63,71	160,97,53
EXPORTS		
Sales & Commission	2,67,27	2,77,30
Technical Services	1,79,73	1,22,10
Project Works	<u>12,64,75</u>	<u>3,26,30</u>
	17,11,75	7,25,70
	425,31,09	390,34,11
* Includes Excise Duty	18,62,77	24,21,21
* Nett Of Trade Discount		
8.2 JOBS DONE FOR INTERNAL USE		
Capital Works	2,91,97	2,88,51
Shop manufactured Special Tools	<u>5,52,69</u>	<u>2,47,52</u>
	8,44,66	5,36,03

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rs. in Thousands)

Sch. No.	Year ended 31.03.2010	Year ended 31.03.2009
8.3 OTHER INCOME		
Servicing Income	1,97,75	1,61,73
Stores issued to contractors and ancillaries	5	78
Recoveries from Staff/Others	4,92,54	5,16,01
Royalties	6,61	7,82
Rent received	1,59,69	1,59,69
Profit on sale of assets	46,56	35,17
Profit on Exchange Fluctuation	22,78	-
Grant received from GOI	1,16,26	28,00
Dividend from Subsidiaries	14,40	14,40
[Tax Deducted at source Rs.NIL)		
Provisions withdrawn:		
Interest	9,09,51	-
Others	16,26,24	22,02,13
Guarantee Fee Subsidy received from GOI	1,22,00	2,14,00
Miscellaneous Income	7,42,31	11,32,13
	<u>44,56,70</u>	<u>44,71,86</u>
8.4 ACCRETION/(DECRETION) TO WORK-IN-PROGRESS, FINISHED STOCK AND SCRAP		
WORK IN PROGRESS		
Closing Balance	77,94,28	89,56,59
Opening Balance	89,56,59	84,80,58
	<u>(11,62,31)</u>	<u>(4,76,01)</u>
FINISHED STOCK		
Closing Balance	62,94,13	81,73,63
Opening Balance	81,73,63	94,35,75
	<u>(18,79,50)</u>	<u>(12,62,12)</u>
SCRAP		
Closing Balance	1,53,80	1,24,53
Opening Balance	1,24,53	1,17,44
	<u>29,27</u>	<u>7,09</u>
	<u>(30,12,54)</u>	<u>(7,79,02)</u>

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rs. in Thousands)

Sch. No.	Year ended 31.03.2010	Year ended 31.03.2009
9.1 MATERIALS		
Raw materials and Components		
Opening Stock	50,68,70	48,45,56
Purchases	161,97,91	148,85,76
	212,66,61	197,31,32
Less: Closing Stock	45,13,82	50,68,70
Consumption of Raw Materials and Components	167,52,79	146,62,62
Consumption of Stores, Spares, Tools & Pkg. Matls. *	44,34,81	50,75,59
	211,87,60	197,38,21
*Includes Stores and Spare parts for:		
Repairs to Buildings	3,42	1,72
Repairs to Machinery	55,02	63,65
9.2 PERSONNEL*		
Salaries, Wages and Bonus	188,27,44	183,32,96
House Rent Allowance	8,98,80	9,75,57
Gratuity	14,69,80	16,32,91
Contribution to PF & FPS	20,61,33	19,78,32
Deposit Linked Insurance	28,68	31,01
Contribution to ESI	3,96	3,17
Welfare Expenses	28,10,57	28,50,58
	261,00,58	258,04,52
* Includes		
Wages for repairs to Buildings	1,04,10	1,22,56
Wages for repairs to machinery	7,25,27	8,26,31
Payments relating to Directors (including Chairman & Managing Director)		
Salaries	29,28	21,18
Provident Fund	2,70	2,14
Gratuity	1,70	1,12
Welfare	4,00	80

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rs. in Thousands)

Sch. No.	Year ended 31.03.2010	Year ended 31.03.2009
9.3 OTHER EXPENSES		
Power and Fuel	13,48,53	14,44,38
Job Work Charges	1,76	1,06
Rent	1,05,41	1,06,80
Rates and Taxes	2,08,57	2,44,67
Excise Duty	61,56	98,09
Insurance	59,38	63,46
Water and Electricity	4,60,89	4,50,21
Repairs to building	69,51	42,88
Repairs to machinery	47,13	42,92
Printing and Stationery	95,81	87,22
Rebate on Sales	2,78,84	2,04,05
Advertisement and Publicity	82,74	1,20,15
Training	90,42	53,24
Auditors Remuneration #	10,08	9,93
Other Agents Commission	37	69
Guarantee Commission to Government of India	2,15,98	3,07,98
Provision for non moving inventories	7,69,80	4,66,30
Provision for Doubtful Debts, Loans and Advances	12,44,82	30,50,21
Provision for Contingencies	2,71,29	32,01
Warranty claims	3,84,28	2,63,53
Loss on Assets sold or discarded	4	-
Loss on Exchange Fluctuation	-	11,81
Loss sustained by PF Trust	1,73,07	1,75,69
Amortisation of :		
Technical Assistance Fees	29,29	7,81
Reconditioning Charges	2,12	2,12
Amortisation of Special Tools	3,32,54	2,74,92
Finance Charges	9,15	14,03
Travelling Expenses *	5,01,34	4,62,21
Bank/Discounting Charges	2,69,64	3,22,69
Bad Debts/Advances written off	34,21	1,58,64
Carriage outwards	4,56,61	3,88,57
Miscellaneous Expenses**	18,71,25	16,90,32
	94,86,43	105,98,59
# i) - for Audit	5,78	5,67
- in respect of taxation matters	2,12	2,02
- in any other manner	50	22
- reimbursement of expenses	68	1,04
- service tax	69	66
ii) Cost Audit Fee & expenses	31	32
Includes		
* Travelling Expenses and Travel Insurance relating to Directors (including Chariman and Managing Director)	42,77	40,30
**Directors' Sitting Fees	18	44

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rs. in Thousands)

Sch. No.	Year ended 31.03.2010	Year ended 31.03.2009
9.4 INTEREST		
Government of India Loans	140,51,84	111,10,48
Term loans from Banks/Fin. Instns	69,31	3,42,39
Cash Credit from Banks	10,16,47	7,96,24
GOI Guaranteed Short Term Loan	8,99,35	10,28,38
Export Credit/Bills discounting	-	2,17
HMT Bonds	6,81,85	6,80,98
GOI Guaranteed HMT Bonds (VRS)	15,51,95	18,18,92
Short Term Loan from Bank	2,35,25	2,78,68
Others	7,62,37	4,53,38
	192,68,39	165,11,62
Less: Interest Earned - on Bank deposits	6,84,64	13,01,47
- Interest Subsidy on VRS Bonds from GOI	7,75,52	9,09,46
- Others	4,82,07	4,86,15
	19,42,23	26,97,08
	173,26,16	138,14,54
9.5 PRIOR PERIOD ADJUSTMENTS (PPA)		
Expenditure		
Materials	1,82,20	1,35,29
Personnel	30	4,43
Depreciation	1	-
Other Expenses	13,47	58,54
	1,95,98	1,98,26
Less: Income		
Other Income	62,00	18,06
	1,33,98	18020
9.6 EXTRA ORDINARY ITEMS		
Income from Sale of Land & Buildings	-	4,68,12
	-	4,68,12
9.7 DEFERRED TAX		
Deferred Tax Liability	1,86	2,27
Reversal of Deferred Tax (Net)	-	1,96,47
	1,86	1,98,74
10.1 RESERVES WITHDRAWN		
Foreign Project Reserve	68	4,00
	68	4,00

11.1 NOTES TO CONSOLIDATED ACCOUNTS

A. PRINCIPLES OF CONSOLIDATION OF FINANCIAL STATEMENTS

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

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

	Country of Incorporation	Proportion of ownership Interest	
		2009-10	2008-09
i) HMT Machine Tools Limited	India	100%	100%
ii) HMT Watches Limited	India	100%	100%
iii) HMT Chinar Watches Limited	India	100%	100%
iv) HMT (International) Limited	India	100%	100%
v) HMT Bearings Limited	India	99.4%	99.4%

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

B. GENERAL

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

(Rs. in Thousands)

	As at 31.03.2010	As at 31.03.2009
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C. NOTES

BALANCE SHEET

1 The Company is contingently liable for:

1.1 Claims against the Company not acknowledged as debts

a) Tax related claims pending in appeal

i) Excise Duty	3,31,90	82,74
ii) Sales Tax	5,47,39	2,13,48
iii) Customs Duty	2,12,29	2,12,29
iv) Property Tax	8,69,02	8,69,02
v) Income Tax	1,07,28	1,07,28

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

12,03,61

11,42,17

c) Others

46,72,26

45,06,27

1.2 Guarantees/Counter Guarantees issued

29,25,66

27,16,78

1.3 Bills purchased/discounted

-

57,81

1.4 Additional Bonus, if any, for the year 1985-86
(Refer Note No.7.1)

7,95

8,21

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

13,85,93

16,19,52

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

34,03,31

32,19,41

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

16,18,62

14,77,71

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

1.12%

1.12%

(Rs. in Thousands)

As at 31.03.2010	As at 31.03.2009
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3.2 Share Application Money

The Government of India while approving the Revival Plan of HMT Machine Tools Ltd (HMT-MTL), the Subsidiary Co. had accorded sanction for cash infusion of Rs.443.00 Crores in the form of 3.5% Preference Share Capital which was routed through the Company for investment in the Preference Share Capital in the Subsidiary, to to be redeemed after 3 years i.e. 31.3.2010.

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. Accordingly, an Asset Sale Committee has been constituted in terms of BIFR order and as per their guidelines to dispose off surplus identified assets, since the Subsidiary is under BIFR. The process of sale of surplus immovable properties will take some more time. Since the tenure of 3 year Preference Share Capital invested by GOI has been completed on 31.3.2010, the Company has requested the Administrative Ministry to grant extension of time for one more year for allotment/redemption of the Preference Share Capital and the same is under the active consideration of GOI. Pending communication from GOI, the Company has continued to disclose the Preference Share Capital as was done in the Previous year.

4. Deferred Tax Asset/Liability

Accounting for Taxes as per Accounting Standard-22. Deferred Tax balance as at March 31, 2010 comprising the timing difference between the profit as per financial statements and as per Income tax is made up of:

Deferred Tax (Net) Opening Balance	(1,09,03)	89,71
On depreication to Fixed Assets	(1,86)	(2,27)
Reversal of opening Balance, as no virtual certainty of realization of Asset in the near future.	-	(1,96,47)
Deferred Tax (Net) Closing Balance	(1,10,89)	(1,09,03)

5. Inventories

5.1 Include Excise Duty paid/payable on Closing Stock of Finished Goods & Scrap. However, this has no effect on the working results of the Company.	4,69,15	5,03,37
5.2 Include usable slow/non moving and surplus stores and materials work-in-progress/stock-in trade.	7,34,66	7,44,62
5.3 Some of the physical verification certificates in respect of stocks at showrooms/exhibitions/on consignment are awaited		
5.4 Include certain watch components taken custody of by Customs Authorities consequent to their inspection.	-	3,94,72

(Rs. in Thousands)

	As at 31.03.2010	As at 31.03.2009
6. Sundry Debtors include		
6.1 Dues towards erection and commissioning for a period exceeding one year.	4,30,21	5,75,72
6.2 Amounts withheld towards liquidated damages and interest on advances claimed/if claimed on delayed supplies.	10,50,26	8,61,31
6.3 Dues from parties against whom cases have been filed before various Courts which are pending	34,19,25	30,82,37
7. Advances Include:		
7.1 Amounts recoverable from employees advances, bonus, etc., pending adjudication /negotiations	41,92	45,80
7.2 Adhoc payments to employees towards Wage/Salary/DA arrears, if any, pending adjustment and provision to this extent has been made in the accounts	48,74,18	51,45,33
7.3 Advance Income Tax (TDS) from A.Y. 1992-93 to A.Y.2001-02 claimed by the Company, disallowed by the Tax Authorities during 2004-05 and the Company has filed Review petition before the Committee of Disputes (COD). However, provision for the same has been made during the year.	-	64,78
8 Current Liabilities		
8.1 Dues to Micro and Small Enterprises based on the information available with the Company		
a) i) Principal	7,91,39	6,83,07
ii) Interest	91,96	33,10
b) Amount of interest paid	-	-
c) Amount of interest accrued and remaining unpaid at the end of each accounting year		
2009-10	60,08	-
2008-09	31,24	1,70
2007-08	64	31,40
8.2 Other liabilities include unspecified/excess credits in bank accounts	34,92	43,77
8.3 No provision has been made towards GOI counter guarantee fee in one of the units of HMT MTL.	98,41	98,41

(Rs. in Thousands)

As at	As at
31.03.2010	31.03.2009

- 9** 9.1 The BIFR has sanctioned Rehabilitation Package for HMT MTL envisaging various sanctions, waivers and exemptions from various Govt. Agencies and Banks. The Order of BIFR was received by HMT MTL on 13.06.2008, However, some of the stake holders filed appeal with AAIFR against the Order of BIFR and final hearing yet to be heard. Pending the outcome of AAIFR Orders and other statutory formalities to be complied with, no effect has been given for the waivers and exemptions in the financial statements of HMT MTL for the period ended 31.3.2010, from the various stake holders as envisaged in the DRS, approved by BIFR.
- 9.2 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.
- 10** Balances under 'Sundry Debtors' , 'Loans & Advances', and 'Current Liabilities' are subject to confirmation, although confirmation has been sought in most of the cases.

(Rs. in Thousands)

	Year ended 31.03.2010	Year ended 31.03.2009
PROFIT & LOSS ACCOUNT		
11 Sales is net off sales returns in respect of		
a) Tractors-22 Nos. (Previous year 4 Nos.) & Spares	83,74	20,61
b) Machine Tools	4,37	31,54
c) Watches - Nil (Previous Year 797 Nos.)	-	3,52
12 Salaries and Wages include		
12.1 Provision for Earned Leave encashment made based on Actuarial valuation of Earned Leave at the credit as at the year end.	7,90,99	9,03,36
12.2 Provision for Settlement Allowance made based on Actuarial valuation	66,14	1,40,23
13 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 Rs.50,000/- per employee based on actuarial valuation by LIC (full coverage in case of HMT Bearings Ltd & HMT (International) Ltd)	14,17,73	13,05,70
14 Value of Special Tools individually costing less than Rs.750/- written off during the year	1,02,02	77,28
15 Voluntary Retirement Compensation, Gratuity, Earned Leave Encashment and Settlement Allowance paid to employees under Voluntary Retirement Scheme is treated as Deferred Revenue Expenditure amortised over a period of 5 years and full write off in case of fresh VRS during the year.	13,08,67	49,79,79
16 Change in Accounting Policy during the year		
Fixed Assets		
i) Reconditioning expenditure		
Expenditure incurred on Reconditioning of Plant, Machinery and Equipment was hitherto amortised over a technically evaluated period of useful life not exceeding 5 years with pro-rata write off in the initial year. Impact due to change has resulted in		
a) Reversal of DRE written off upto 31.3.2008	-	1,09,96
b) Depreciation accounted upto 31.3.2008	-	80,43
c) Net Impact (decrease in loss)	-	29,53
ii) Financial Lease:		
Assets acquired under Financial leases were hitherto not capitalised. No impact due to change		
iii) The Exchange difference arising on restatement of liabilities in the foreign currency relating to fixed assets were hitherto adjusted to the carrying cost of the Asset. No impact due to change.		
17 Revenue expenditure on Research & Development charges to profit and loss account.	3,70,66	3,23,67
18 Previous year's figures have been regrouped/ reclassified wherever necessary to conform to this year's classification		

DISCLOSURE REQUIRED AS PER ACCOUNTING STANDARD – 15 (REVISED)

The Gratuity has been provided by the Company under a defined benefit plan to cover the eligible employees, the liability being determined on actuarial valuation done by LIC using Projected Unit Credit Method. The Company has taken a Policy under Group Gratuity Scheme comprising of HMT Limited, HMT Machine Tools Limited, HMT Watches Limited and HMT Chinar 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 Rs.50000/- per eligible employee. In respect of HMT Bearings Ltd. and HMT (International) Ltd the Group Gratuity Policy has been taken for full coverage of Rs.350000/- per eligible employee. In respect of Praga Tools Division, Hyderabad of HMT Machine Tools Ltd, there exist no Policy under Group Gratuity scheme with LIC.

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

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

The liability for gratuity premium under Group Gratuity Scheme with LIC to the extent of Rs. 50000/- as on 31-03-2010 is Rs. 629.86 lakhs. The provision for gratuity as on 31-03-2010 for the balance amount based on the above assumption for over & above the amount covered under the LIC policy in respect of the Company is Rs. 14475.56 lakhs.

Defined Benefit Plan

(Rs. in Lakhs)

		Gratuity (Funded)	
		2009-10	2008-09
1	Reconciliation of changes in respect of obligations		
	Present value of obligation as at beginning of year	3277.44	3495.88
	Interest cost	262.19	279.67
	Current Service Cost	4.32	6.78
	Benefits Paid	323.35	439.64
	Actuarial (gain)/Loss on obligations	(54.05)	(65.25)
	Present value of obligation as at end of year	3166.55	3277.44
2	Reconciliation of changes in the fair value of plan assets		
	Fair value of plan assets of beginning of year	2546.75	2438.29
	Expected return on plan assets	235.31	223.98
	Contributions	193.79	324.12
	Benefits paid	323.35	439.64
	Actual Gain / (Loss) on Plan assets	-	-
	Fair value of plan assets at the end of year	2652.50	2546.75
3	Reconciliation of fair value of plan assets		
	Fair value of plan assets at beginning of year	2546.75	2438.29
	Actual return on plan assets	235.31	223.98
	Contributions	193.79	324.12
	Benefits Paid	323.35	439.64
	Fair value of plan assets at the end of year	2652.50	2546.75
	Funded status	514.05	730.69

SEGMENT REPORTING AS PER ACCOUNTING STANDARD – 17

I Primary Segment information:

(Rs. in Lakhs)

Particulars	Machine Tools	Watches	Tractors	Bearings	Exports	Total
1 Segment Revenue						
- External Turnover	20961.69	1126.79	19163.71	684.01	1711.75	43647.95
- Intra Segment Turnover	-	-	-	-	-	-
- Inter Segment Turnover	-	-	-	-	-	-
Gross Turnover	20961.69	1126.79	19163.71	684.01	1711.75	43647.95
Less: Excise Duty	1575.37	80.41	143.92	63.07	-	1862.77
Net Turnover	19386.32	1046.38	19019.79	620.94	1711.75	41785.18
2 Segment Result						
Profit/(Loss) before interest, PPA, EOI & Taxes	(3837.73)	(7508.80)	(3318.05)	(891.43)	181.42	(15374.59)
Interest	739.26	14313.24	1967.70	520.91	(214.95)	17326.16
Profit/(Loss) before PPA, EOI & Taxes	(4576.99)	(21822.04)	(5285.75)	(1412.34)	396.37	(32700.75)
Prior period adjustments (PPA) & Extra Ordinary items (EOI)	3.06	6.91	4.78	118.75	0.48	133.98
Profit/(Loss) before Tax	(4580.05)	(21828.95)	(5290.53)	(1531.09)	395.89	(32834.73)
Current Tax	-	-	-	-	128.00	128.00
Deferred Tax	-	-	-	-	1.86	1.86
Profit/(loss) after Tax	(4580.05)	(21828.95)	(5290.53)	(1531.09)	266.03	(32964.59)
3 Other information						
Segment Assets	34013.23	8278.72	16361.40	1928.47	3652.12	64233.94
Segment Liabilities	26424.23	23848.09	21114.28	1765.70	1721.48	74873.78
Capital Expenditure	2898.21	0.51	432.26	-	8.04	3339.02
Depreciation	787.74	121.03	391.87	47.21	17.46	1365.31
Non Cash Expenses other than depreciation	-	-	-	-	-	-

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

II Secondary Segment Information:

(Rs. in Lakhs)

1 Segment Revenue – External Turnover		3 Segment Liabilities	
– Within India	41936.20	– Within India	74873.78
– Outside India	1711.75	– Outside India	-
Total	43647.95	Total	74873.78
2 Segment Assets		4 Segment Capital Expenditure	
– Within India	64233.94	– Within India	3339.02
– Outside India	-	– Outside India	-
Total	64233.94	Total	3339.02

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		
		(Rs. in Thousands)	
		<u>2009-10</u>	<u>2008-09</u>
	Advances given for expenses	1,90	1,87
	Advances reimbursed by the Company	-	3,00
4	Outstanding at the year end	4,66	2,76
	– Advance receivable		

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

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

		(Rs. in Thousands)
Opening Balance as on 1.4.2009		1,65,30
Additions during 2009-10		<u>3,46,47</u>
Total		5,11,77
Less: Used during 2009-10		
Utilised	1,50,69	
Withdrawn	<u>34,33</u>	<u>1,85,02</u>
Closing Balance as on 31.3.2010		<u>3,26,75</u>

EARNINGS PER SHARE

	<u>2009-10</u>	<u>2008-09</u>
Profit/(Loss) as per Profit and Loss Account (Rs. in Thousands)	(329,64,59)	(351,50,60)
Weighted Average number of Equity Shares (in Nos.)	760350140	760350140
Basic and Diluted earnings per share (in Rs.)	(4.34)	(4.62)
Nominal value of share (in Rs.)	10	10

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

(Rs. in Lakhs)

	Year ended 31.03.2010	Year ended 31.03.2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax and Extra-ordinary Items	(328,35)	(352,94)
Adjustment for:		
Depreciation	13,65	11,62
Profit on Sale of Fixed Assets (net)	(47)	(35)
Amortisation of Special Tools	3,33	2,75
Foreign Exchange (net)	(23)	12
Interest debited (Net)	164,17	138,15
Dividend received	(14)	(14)
Deferred Revenue Expenditure (Net)	13,40	49,90
Provision for Obsolescence, Doubtful debts, Advances	6,60	13,46
	200,31	215,51
Operating Profit Before Working Capital Changes	(128,04)	(137,43)
Adjustment for:		
(Increase)/Decrease in Trade & Other Receivables	1,52	34,33
(Increase)/Decrease in Inventories	39,74	8,13
(Increase)/Decrease in Other Current Assets	(3,18)	(2,96)
Increase/(Decrease) in Trade payables	20,46	9,80
	58,54	49,30
Cash Generated From Operations	(69,50)	(88,13)
Deferred Revenue Expenditure	(13,09)	(41,24)
Direct Taxes paid	(54)	(84)
CASH FLOW BEFORE EXTRA-ORDINARY ITEMS	(83,13)	(130,21)
Extra-ordinary Items	-	4,68
NET CASH FROM OPERATING ACTIVITIES	(83,13)	(125,53)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(32,28)	(45,45)
Sale proceeds of Fixed Assets	96	45
Sale of Investments	16	-
Dividend Received	14	14
Interest Received	6,85	13,01
NET CASH USED IN INVESTING ACTIVITIES	(24,17)	(31,85)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

(Rs. in Lakhs)

	Year ended 31.03.2010	Year ended 31.03.2009
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Share Capital	-	-
Proceeds from Long Term/Short Term Borrowings	216,41	154,22
Repayment of Long Term/Short Term Borrowings	(100,70)	(36,69)
Repayment of Finance Lease Liabilities	-	-
Exchange Difference (net)	23	(12)
Dividends paid	-	-
Interest Paid	(38,09)	(45,51)
NET CASH USED IN FINANCING ACTIVITIES	77,85	71,90
NET INCREASE IN CASH AND CASH EQUIVALENTS	(29,45)	(85,48)
CASH AND CASH EQUIVALENTS AS AT 1ST APRIL 2009 (Opening Balance)	117,83	203,31
CASH AND CASH EQUIVALENTS AS AT 31ST MARCH 2010 (Closing Balance)	88,38	117,83
	(29,45)	(85,48)

For and on behalf of the Board

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

A.V. Kamat
Chairman and
Managing Director

S.G. Sridhar
Director, Operations

B. Manikya Prakash
General Manager,
Corporate Finance

U.Jagadish Nayak
Company Secretary

O.D. Golcha
Partner
M.No.12502

Place : Bangalore
Date : 13.08.2010

FINANCIAL INFORMATION RELATING TO SUBSIDIARY COMPANIES OF HMT LIMITED FOR THE YEAR ENDED 31ST MARCH 2010

(Rs. in Thousands)

Sl. No.	Particulars	HMT Machine Tools Ltd.	HMT Watches Ltd.	HMT Chinar Watches Ltd.	HMT Bearings Ltd.	HMT (International) Ltd.
a)	Capital	719,59,91	6,49,01	1,66,01	37,70,91	72,00
b)	Reserves & Surplus	22,70,82	-	-	-	24,76,26
c)	Total Assets	349,53,44	69,07,46	17,27,03	17,27,47	44,18,97
d)	Total Liabilities	368,40,08	1361,47,77	358,96,73	62,70,13	17,58,82
e)	Investments	-	-	-	2,01,00	-
f)	Turnover	209,61,69	10,54,14	72,65	6,84,01	30,79,60
g)	Profit/(Loss) before Taxation	(45,80,05)	(168,34,94)	(49,94,01)	(15,31,09)	3,95,89
h)	Provision for Taxation	-	-	-	-	1,29,86
i)	Profit/(Loss) after Taxation	(45,80,05)	(168,34,94)	(49,94,01)	(15,31,09)	2,66,03
j)	Proposed Dividend (%)	Nil	Nil	Nil	Nil	20%

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CONSOLIDATED FINANCIAL STATEMENTS



HMT LIMITED

No. 59, Bellary Road, Bangalore - 560 032

NOTICE

Notice is hereby given that the Fiftyseventh Annual General Meeting of HMT Limited will be held on Wednesday, September 29, 2010, at 10.30 a.m. at the Registered Office of the Company at No.59, Bellary Road, Bangalore - 560 032, to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at and Profit and Loss Account for the year ended March 31, 2010 and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri S.G. Sridhar who retires by rotation and being eligible offers himself for reappointment.
3. To fix the remuneration of Statutory/Branch Auditors to be appointed by the Comptroller and Auditor General of India for the year 2010-2011.

SPECIAL BUSINESS

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

“RESOLVED THAT pursuant to Section 255 read with Section 257 and 262 of the Companies Act, 1956, read with Article 67 (4) of the Articles of Association of the Company, Shri Harbhajan Singh who was appointed as Director with effect from January 11, 2010, in place of Shri Rajiv Bansal, be and is hereby appointed as a Director of the Company.”

By order of the Board of Directors

(U.Jagadish Nayak)
Company Secretary

Place : Bangalore
Date : September 4, 2010

Registered Office :

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

1. The Members of the Company
2. Statutory Auditors

NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
2. The Share Transfer Books and Register of Members of the Company shall remain closed from 22.09.2010 to 29-09-2010 (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

Shri Harbhajan Singh, Joint Secretary, Ministry of Heavy Industries & Public Enterprises, was appointed as a Director of the Company by the President of India vide Order No.5(16)/2009-PE.X dated January 11, 2010, until further orders, in place of Rajiv Bansal. The Board of Directors have approved his appointment as Director with effect from January 11, 2010, in terms of Article 67(4) of the Articles of Association read with Section 262 of the Companies Act, 1956. Shri Harbhajan Singh is proposed for appointment as a Director in terms of Article 67 (4) of the Articles 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) is available for inspection by the members during business hours on any working day, at the Registered Office of the Company.

Shri Harbhajan Singh is considered as interested in the resolution being the subject of his appointment as Director. None of the other Directors is concerned or interested in the resolution.

INFORMATION PURSUANT TO CLAUSE 49 OF LISTING AGREEMENT

Item No. 4

Shri Harbhajan Singh, aged 54 years, an IAS Officer of 1983 Batch of Uttar Pradesh Cadre, has been appointed as a Part-time Official Director of HMT Limited. He is a post graduate in History and also a Law graduate

Shri Harbhajan Singh served in the State of Uttar Pradesh in various capacities as Assistant/Sub-Divisional/Joint/District Magistrate; Chief Development Officer, General Manager of U.P. Small Industries Corporation and U.P. Finance Corporation; and gained experience in the field of Land Revenue Management and District Administration between 1985 to 1997. He has worked in Education Department; Industrial Development Department; Geology and Mines Department in the capacity of Special Secretary; Secretary and Director and gained experience in the field of Human Resource Development; Industries; Urban Development; Mines and Minerals during the period 1997 to 2000.

Shri Harbhajan Singh has worked in the Ministry of Consumer Affairs, Food & Public Distribution; Ministry of Civil Aviation; Ministry of Coal & Mines; Government of India, as Director and Joint Secretary during 2000 to 2006.

He has worked in the level of Joint Secretary and Additional Secretary in Milk Board; Food & Civil Supplies; Medical Education Department between March 2006 to December 2009. Presently, he is the Joint Secretary in the Ministry of Heavy Industries and Public Enterprises, Department of Heavy Industry.

DIRECTORSHIP AND MEMBERSHIP OF COMMITTEES OF THE BOARD

Name of the Company	Director / Chairman	Name of the Committee	Member	Chairman
Andrew Yule Co. Ltd.	Director	-	-	-
HMT Machine Tools Ltd.	Director	-	-	-
HMT (International) Ltd	Director	-	-	-
Cement Corporation of India Ltd.	Director	Asset Sale Committee Audit Committee	✓	✓
Heavy Engineering Corporation	Director	Audit Committee	✓	-
Engineering Projects (I) Ltd	Director	-	-	-
Hindustan Paper Corporation	Director	-	-	-

By order of the Board of Directors

(U. Jagadish Nayak)
Company Secretary

Place : Bangalore

Date : September 4, 2010

Registered Office:

HMT Bhavan

No. 59, Bellary Raod,

Bangalore - 560 032

**HMT LIMITED**

No. 59, Bellary Road, Bangalore - 560 032

ATTENDANCE SLIP

I, hereby record my presence at the Fiftyseventh Annual General Meeting at the Registered Office of the Company at **10:30 a.m. on on Wednesday, September 29, 2010**

Name of the Attending Member
(in Block Letters)

DP. Id*	
---------	--

Members' Folio Number	
-----------------------	--

Client Id*	
------------	--

No. of Shares	
---------------	--

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

* Member's/Proxy's Signature

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

(Tear here)

HMT LIMITED

No. 59, Bellary Road, Bangalore - 560 032

PROXY FORM

DP. Id*	
---------	--

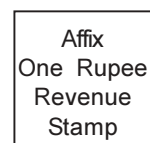
Members' Folio Number	
-----------------------	--

Client Id*	
------------	--

No. of Shares	
---------------	--

I / We
of
being a Member/Members of HMT Limited hereby appoint
..... of
or failing him
of
or failing him
as my/our Proxy in my/our absence to attend and vote for me/us, and on my/our behalf, at the Fiftyseventh Annual General Meeting of the Company, to be held at **10:30 a.m. on the 29th day of September 2010**, and at any adjournment thereof.

Signed by the said



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.

