



Hindustan Motors Limited

Annual Report & Accounts 2009-2010



Late Shri G. P. Birla

2nd August 1922 – 5th March 2010

We pay our respectful homage to the memory of Late Shri G. P. Birla (Padma Bhushan), a pioneering industrialist, a dedicated humanist and a great philanthropist.

He was the Chairman of the Company from 1982 to 1997. Through his industrial, philanthropic, educational and scientific pursuits he touched the lives and hearts of many. He will be fondly remembered for his compassion and humility.

*वैष्णव जन तो तेने कहिये, जे पीड़ पराई जाणे रे ।
पर दुःखे उपकार करे तोये, मन अभिमान न आणे रे ॥*

(This favourite bhajan of Mahatma Gandhi reflects
Late Shri G. P. Birla's philosophy in life)

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HINDUSTAN MOTORS LIMITED

ANNUAL REPORT

Year Ended March 31, 2010

Board of Directors

Shri C. K. Birla	Chairman
Shri Naresh Chandra	
Shri Pradip Kumar Khaitan	
Dr. Anand C. Burman	
Shri Kranti Sinha	
Shri Yogesh Kr. Rastogi	ICICI Nominee
Shri A. Sankaranarayanan	
Shri Subroto Gupta	IDBI Nominee
Shri Vijay Kumar Sharma	LIC Nominee
Shri R. Santhanam (upto 18.05.2010)	Managing Director
Shri Manoj Jha (w.e.f. 19.05.2010)	Managing Director

Chief Financial Officer & Company Secretary

Yogesh Goenka

Bankers

UCO Bank
Bank of India
United Bank of India
Bank of Baroda
State Bank of India

Auditors

Messrs. S. R. Batliboi & Co.
Chartered Accountants

Share Transfer Agents

Karvy Computershare Pvt. Limited
Plot Nos. 17 to 24 Vittal Rao Nagar
Madhapur, Hyderabad 500 081
Telephone No. : (040) 4465 5000
Fax No. : (040) 2342 0814
E-mail : mahendra.singh@karvy.com
Kolkata Office : (033) 2464 7231, 2464 4891

Registered Office

'Birla Building', 10th Floor
9/1, Rajendra Nath Mukherjee Road
Kolkata 700 001

Notice to the Shareholders

NOTICE is hereby given that the Sixty-eighth Annual General Meeting of the Shareholders of HINDUSTAN MOTORS LIMITED will be held at Kolkata Ice Skating Rink, 78, Syed Amir Ali Avenue, Kolkata 700 019, on Tuesday, the 10th August, 2010 at 2.00 PM to transact the following business:-

AS ORDINARY BUSINESS :

- (1) To receive, consider and adopt the Audited Statements of Account of the Company together with the Directors' Report as also the Auditors' Report thereon for the financial year ended 31st March, 2010.
- (2) To appoint a Director in place of Shri Naresh Chandra who retires by rotation and being eligible offers himself for re-appointment.
- (3) To appoint a Director in place of Shri Kranti Sinha who retires by rotation and being eligible offers himself for re-appointment.
- (4) To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**, relating to the appointment of the Auditors of the Company:

"RESOLVED THAT Messrs. S. R. Batliboi & Co., Chartered Accountants, the retiring Auditors, be and they are hereby re-appointed as Auditors of the Company under Section 224 and other applicable provisions, if any, of the Companies Act, 1956 to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at a gross remuneration of Rs.22,00,000/- (Rupees Twenty-two lacs only) per annum exclusive of reimbursement of out-of-pocket expenses, as may be incurred by the Auditors on travelling, boarding and lodging at the Company's factories and its other branches outside Kolkata which shall also be borne by the Company and that the said remuneration be paid to the Auditors in four equal quarterly installments."

AS SPECIAL BUSINESS :

- (5) To consider and, if thought fit, to pass with or without modification, the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Article 107 of the Articles of Association of the Company and Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such consents, approvals and permissions including from the Central Government, as may be needed, Shri Manoj Jha be and he is hereby appointed as the Managing Director of the Company not liable to retire by rotation for a period of 5 (five) years with effect from 19th May, 2010 at a remuneration and on the terms and conditions set out below:-

1. Salary (basic) per month : Rs.2,00,000/- (Two lacs) in a time scale of Rs.2,00,000-Rs.4,00,000/-. Annual increment shall be payable on 1st April of each year (starting from April, 2011) as may be decided by the Board of Directors or Remuneration Committee of Directors and will be merit based and would take into account the Managing Director's performance and the Company's performance as well.
2. Perquisites (including allowances) :-
 - a) Special Allowance Rs. 2,25,000/- (Two lacs and twenty five thousand) per month.
 - b) Personal Allowance Rs. 2,25,000/- (Two lacs and twenty five thousand) per month.
 - c) Supplementary Allowance Rs. 2,25,000/- (Two lacs and twenty five thousand) per month.
 - d) Medical Allowance Rs. 15,000/- (Fifteen thousand) per month.
 - e) Other Allowances Rs. 1,60,000/- (One lac and sixty thousand) per month
 - f) Leave Travel Allowance The yearly payment in the form of allowance shall be equivalent to one month's salary (basic).
 - g) Housing I Expenditure incurred by the Company on hiring furnished accommodation for the Managing Director subject to a maximum rent of Rs. 1 lac per month.

OR

- | | |
|-------------|--|
| Housing II | In case Company owned and furnished accommodation is provided no allowance shall be paid. |
| | OR |
| Housing III | In case no accommodation - owned or hired - is provided by the Company - the Managing Director shall be entitled to House Rent Allowance of Rs. 1 lac (One lac) per month. |
- h) Medical reimbursement Expenditure incurred by the Managing Director and his family, subject to a ceiling of Rs. 15,000/- per annum.
- i) Contribution to Provident Fund and Gratuity will be as per the Rules / Scheme of the Company.
- j) Leave as per the Rules of the Company. Encashment of unavailed leaves at the end of the tenure or at specified intervals will be as per Scheme of the Company.
- k) Provision of one car with driver for use in relation to Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone shall be billed by the Company to the Managing Director. Actual expenses relating to provision of second car with driver for personal purposes shall be treated as perquisites.
3. Performance Variable Pay: In addition to the above, the Managing Director shall be entitled for a Performance Variable Pay of a maximum of Rs.10,00,000/- per annum. The exact quantum payable will be based on extent of achievement against the deliverables as decided by the Board of Directors and/or Remuneration Committee of Directors of the Company from time to time. For the Financial Year 2010-11, payment of Performance Variable Pay will be paid proportionate to the months worked.
4. Commission: Such remuneration by way of commission, in addition to the salary and perquisites (including allowances) payable, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors or Remuneration Committee of Directors of the Company at the end of each financial year, subject to the overall ceiling stipulated in Sections 198 and 309 of the Companies Act, 1956. The specific amount payable to the Managing Director will be based on performance as evaluated by the Board of Directors or Remuneration Committee of Directors and will be payable annually after the Annual Accounts have been approved by the Board of Directors of the Company.
- Minimum Remuneration: The remuneration specified at Sl. Nos.1 to 3 above subject to approval of Central Government shall be paid to Shri Manoj Jha as and by way of Minimum Remuneration notwithstanding any loss or inadequacy of profit in any financial year during the tenure of his employment as Managing Director.

RESOLVED FURTHER THAT the tenure of the employment of Shri Manoj Jha as Managing Director of the Company is terminable by either side with a notice period of six months or Company paying six months salary (basic) in lieu of such notice."

Registered Office :
"Birla Building"
9/1, Rajendra Nath Mukherjee Road
Kolkata 700 001
Dated, the 1st June, 2010

By Order of the Board
For HINDUSTAN MOTORS LTD.
Yogesh Goenka
*Chief Financial Officer &
Company Secretary*

NOTES :

1. **A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a member of the Company. The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.**
2. In terms of Articles 90 and 91 of the Articles of Association of the Company Shri Naresh Chandra and Shri Kranti Sinha, Directors of the Company retire by rotation in the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Information about such Directors as stipulated under Clause 49 of Listing Agreement with the Stock Exchanges in India, are provided in the Report on Corporate Governance forming part of the Annual Report. The Board of Directors of the Company recommends the respective re-appointments of the aforesaid Directors.
3. Members/Proxies should bring the enclosed Attendance Slip duly filled in for attending the meeting along with a copy of the Annual Report. Corporate members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of Board Resolution authorizing their representatives to attend and vote on their behalf in the meeting.
4. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID Numbers and those who hold the shares in physical form are requested to write their Folio Number(s) in the Attendance Slip for attending the meeting.
5. Members who have shareholdings in multiple accounts in identical names or joint accounts in the same order are requested to send all the share certificate(s) to the Registrar & Share Transfer Agents, Karvy Computershare Private Limited at Plot Nos.17 to 24 Vittal Rao Nagar, Madhapur, Hyderabad - 500081 for consolidation of all such shareholdings into one account to facilitate better service.
6. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, the 3rd August, 2010 to Tuesday, the 10th August, 2010 (both days inclusive).
7. (a) Members are requested to notify change of address, if any, with PINCODE to the Company or to its Share Transfer Agents quoting reference of their folio number and in case their Shares are held in dematerialised form, this information should be passed on to their respective Depository Participants.
(b) In case the mailing address mentioned in this Annual Report is without the PINCODE, members are requested to kindly inform their PINCODE immediately.
8. A member desirous of getting any information on the accounts or operations of the Company or share/debenture related matter is requested to forward his/her query(ies) to the Company at least seven days prior to the meeting so that the required information can be made available at the meeting.
9. Individual shareholders can now take the facility of making nomination of their holding. The nominee shall be the person in whom all rights of transfer and/or amount payable in respect of Shares shall vest in the event of the death of the shareholder and the joint-holder(s), if any. A minor can be a nominee provided the name of the guardian is given in the nomination form. Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu undivided family, holder of Power of Attorney cannot nominate. For further details in this regard shareholders may contact Karvy Computershare Private Limited, Hyderabad, the Registrar and Share Transfer Agents of the Company.
10. In all correspondence with the Company or with its Share Transfer Agents, members are requested to quote their folio number and in case their Shares are held in the dematerialised form, they must quote their Client ID and their DP ID Numbers.
11. The shares of the Company are in compulsory demat segment. Those members who still continue to hold shares in physical form, are requested to get their shares dematerialised at the earliest.
12. Securities and Exchange Board of India vide its circulars dated 27th April, 2007 and 25th June, 2007 has made it mandatory with effect from 2nd July, 2007 for every participant in the securities/capital market to furnish income tax Permanent Account Number (PAN). Accordingly, all the shareholders (including joint holders) holding shares in physical form are requested to submit copy of their PAN Card duly attested by the Notary Public/Gazetted Officer/Bank Manager under their official seal stating their full name and address, registration number to our Registrar & Share Transfer Agents, Karvy Computershare Private Limited.

Annexure to the Notice

Explanatory Statement

The following Explanatory Statement relating to Special Business at item No. 5 of the accompanying Notice sets out all material facts as required under Section 173 of the Companies Act, 1956.

Item No. 5

To fill in the vacancy caused by resignation of Shri R. Santhanam, the Board Members considered in the interest of the Company, to appoint Shri Manoj Jha, as Whole-time Director designated as Managing Director of the Company.

Accordingly, the Board Members at its meeting held on 1st May, 2010, has appointed Shri Manoj Jha as Whole-time Director designated as Managing Director for a period of five years with effect from 19th May, 2010. The salient terms and conditions of the appointment are set out in the Resolution in Item No.5 of the subjoined Notice.

The remuneration payable to Managing Director has also been approved by Remuneration Committee of Directors at its Meeting held on 1st May, 2010.

The appointment is subject to the approval of the shareholders in General Meeting and Central Government.

The information required pursuant to para 1(C)(iv) of Section II of Part II of Schedule XIII of the Companies Act, 1956 are as under :

I. GENERAL INFORMATION

- (1) Nature of Industry:
Manufacture of Automobiles and Components namely Castings, Forgings and Stampings
- (2) Date or expected date of commencement of commercial production:
The Company, incorporated in the year 1942, is an existing operating Company.
- (3) Financial performance based on given indicators:

	Rs. in lacs		
Financial Year ended	31.03.2010	31.03.2009	31.03.2008
Gross Sales & Services	73599.27	77070.07	85300.76
Profit/(Loss) before Interest, Depreciation and Taxes	(459.02)	(952.34)	8698.54
Interest Payment	1103.76	1234.67	2002.82
Depreciation	1763.59	2065.95	2114.52
Profit/(Loss) before Tax	(3326.37)	(4252.96)	4581.20
Provision for Tax	1783.65	(367.30)	1497.05
Profit/(Loss) after Tax	(5110.02)	(3885.66)	3084.15
Equity Share Capital	16125.68	16125.68	16125.68

- (4) Export performance and net foreign exchange collaborations:

	Rs. in lacs		
Financial Year ended	31.03.2010	31.03.2009	31.03.2008
Foreign Exchange Earnings (FOB value of Export)	4.43	64.27	31.70

- (5) Foreign investments or collaborators, if any:
The Company has a wholly owned subsidiary in USA. The Company has License Agreements and Component Supply Agreements with Mitsubishi Motors Corporation, Japan for manufacture/ assembly of cars and utility vehicles.

II. INFORMATION ABOUT THE APPOINTEE

(1) Background details :

Education: Shri Manoj Jha, Managing Director of the Company is a B. Tech (Production Engineering).

Career: Shri Manoj Jha is a professional with B.Tech in Production Engineering. He has over 27 years of experience (over 15 years as leadership role) in domestic assignments. During his career Shri Manoj Jha has worked with Tata Motors, Eicher Tractors, Minda Industries Ltd., Hydraulics Ltd., Minda SAI Ltd and Escorts Ltd. (Engineering Division).

Shri Jha has rich and vast experience in automobile and engineering industry.

(2) Past remuneration :

Rs. in lacs		
2009-10	2008-09	2007-08
95.00	86.42	56.21

(3) Job profile and his suitability:

The Managing Director is entrusted with substantial power of management of the whole or substantially the whole of affairs of the Company subject to superintendence, control and directions of the Board. He will also perform such duties and exercise such powers as have been or may from time to time be entrusted or conferred upon him by the Board.

Shri Manoj Jha is a Senior Corporate Executive of proven caliber and excellence and is having wide ranging experience in re-building, re-branding and turning around of organisations. He has experience of management of all aspects in an organisation. He has successfully led many strategic initiatives, re-engineering of operations, increasing efficiencies, operation cost reduction through material cost optimization.

The professional services of Shri Manoj Jha and his in-depth knowledge of industry would be very valuable for the Company in the context of the present situation in the Company. With sufficient past experience in successfully turning around organisations, Shri Manoj Jha is best suited for the position.

(4) Remuneration proposed :

As referred in Item No.5 of the Notice of the Annual General Meeting.

(5) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person :

The executive remuneration in the industry has increased manifold in last few years. Having regard to type of industry, trends in industry, size of the Company, the responsibilities, academic background and capabilities of Shri Manoj Jha, the proposed remuneration is at par with the remunerations being paid to such senior executives by both domestic and multinational organizations in the Corporate Sector.

(6) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any :

Shri Manoj Jha has no pecuniary relationship with the Company other than his remuneration as Managing Director of the Company. He is purely a professional executive of the Company. There is no managerial personnel related to Shri Jha.

III. OTHER INFORMATION**(1) Reasons of loss or inadequate profit :**

The Company has primarily been focused on the automobile business with its Plants in Uttarpara and in Chennai as well as component business from the Uttarpara Plant. The Chennai Plant manufactures and markets Mitsubishi vehicles namely Lancer, Cedia, Pajero, Outlander and Montero. The Uttarpara Plant manufactures Ambassador and small goods carrying mini truck called Winner.

The Lancer car was introduced in 1998 and the Cedia was introduced in 2006, both are facing stiff competition from newer models in the mid-size segment. The Company introduced new models, Pajero, Outlander and Montero in the Sports Utility Vehicles segment but the volumes started increasing only from 2006-07. However beginning third quarter of 2008-09, in the wake of global economic problems, the volumes declined and the Plant temporarily started incurring losses. The problem was compounded further by adverse movement in foreign exchange rates from 2008 onwards affecting the sales and profitability. By September 2009 the Company initiated counter measures and opened dialogue with its foreign collaborator and was able to persuade the collaborator to reduce kit prices in order to stay competitive in the market. The gains of such reduction, due to inherent lead time in shipments, became available to the Company only in March 2010 and this Plant turned profitable once again.

During the last couple of years, the Company's Uttarpara Plant has been experiencing steady decline in volumes. The Ambassador car is predominantly sold in taxis, institutional and commercial segment and the sales have been declining due to competition from mid-size car and utility vehicles. In the year 2009-10, sale of Ambassadors in the taxi segment improved due to large scale fleet replacements in Kolkata city. While the Plant had registered significant increases in volume, the profitability did not improve commensurately because most of the increased volume came from relatively lower margin variant of yellow taxis. The Company introduced a new small goods carrying vehicle called "Winner" which is expected to contribute significant volumes in the next few quarters especially with its CNG version.

The Company also diversified into Component business of manufacturing and selling castings, forgings and stampings. Of these three businesses, stamping business had good profit potential. However the Company's efforts to realize this profitable business was stymied by a very unfortunate and prolonged labour strike in 2007 wherein the customer who had handed over their tools to the Company had to approach the Hon'ble High Court at Calcutta to regain possession of their tools. The Company's efforts to grow the component business were further adversely affected due to the downturn in the automobile industry in 2008-09.

The Company had earned profits from sale of various assets from time to time over the last few years but the operating losses more than offset the profits thereby resulting in accumulation of losses over the last few years.

(2) Steps taken or proposed to be taken for improvement:

The Company has been relentlessly making efforts to increase revenue by introducing new products and new features in existing products as well as to reduce costs and make its operations profitable. The Company has taken following initiatives to improve its performance:-

- a) Introduction of new models from Mitsubishi Motors in Chennai Car Plant;
- b) Introduced new diesel as well as alternate fuel driven Mini Truck, Winner in the growing markets both domestic as well as exports;
- c) Embarking on developing a set of auto component business namely supplying of castings, forgings and stampings to other manufacturers in the automobile and other industries;
- d) Modernization of manufacturing facilities to improve efficiency and reduce costs;
- e) Reduce the input and other overheads by value engineering, rationalisation of work force and other cost reduction measures;
- f) Taken necessary steps to make the engines of most of its vehicles meet the emission norms of Bharat Stage-IV before the date set for the purpose by the Government i.e. 1st April, 2010;

- g) Thrust being given to dealer development activity to strengthen the distribution network;
- h) Revenue from development of Integrated IT Township and Automotive Ancillary Park.

(3) Expected increase in productivity and profits in measurable terms:

With the above steps being taken by the Company, the productivity and profitability of the Company is expected to improve in the coming years.

IV. DISCLOSURES

The shareholders of the Company have been informed of the remuneration package of Shri Manoj Jha.

All elements of remuneration package are given in the Corporate Governance Report annexed to the Directors' Report which should be read in conjunction with the Notice of 68th Annual General Meeting.

The appointment and remuneration payable to Shri Manoj Jha as Managing Director require approval of the Company in General Meeting in terms of Part III of Schedule XIII of the Companies Act, 1956 and the remuneration so payable to him also requires prior approval of the Central Government under Section 309 read with Schedule XIII of the Act.

The Company has received a Notice under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose the name of Shri Manoj Jha as a Director of the Company.

Accordingly, your Directors recommend the resolution set out in Item No.5 of the convening Notice for your approval.

An abstract of the terms of appointment of Shri Manoj Jha Managing Director has been circulated to the Members as required under Section 302 of the Act.

Except Shri Manoj Jha, no other Director is in any way concerned or interested in the aforesaid Resolution.

A copy of the Notice with Explanatory Statement and the Minutes of the Meetings of the Board of Directors and Remuneration Committee both held on 1st May, 2010 and a copy of the Agreement between the Company and Shri Manoj Jha in this connection will be kept open for inspection by the Shareholders at the Registered Office of the Company situated at "Birla Building", 10th Floor, 9/1 R. N. Mukherjee Road, Kolkata - 700 001 between 10 AM and 12 Noon on any working day of the Company.

The information required in terms of clause 49 of the Listing Agreement is given hereunder.

Details of Managing Director seeking appointment at the ensuing Annual General Meeting:

Name of Director	: Shri Manoj Jha
Date of birth	: 07.05.1960
Date of appointment	: 19.05.2010
Qualification	: B.Tech (Production Engineering)
Nature of expertise in specific functional areas	: As mentioned in Explanatory Statement of the Notice of 68th Annual General Meeting
Names of directorship in other companies	: Maxcellence India Private Limited
Names of committees of other companies in which the director is a member.	: Nil
No. of shares held in the Company	: NIL
Relationships with other Directors	: No

Directors' Report to the Shareholders

Your Directors present their Sixty-eighth Annual Report together with annual accounts of the Company for the year ended March 31, 2010.

With profound sorrow and grief, the Directors report the sad demise of Shri G. P. Birla on 5th March, 2010. As Chairman of the Company during the period from 13th January, 1982 to 26th November, 1997, Shri G. P. Birla, a pioneering industrialist and a dedicated humanist, guided the affairs of the Company from strength to strength. He was a doyen in the industrial world and established a large number of industries in various sectors in India and abroad like automobile, paper, cement, electrical, building products and precision engineering products. He was a noble hearted soul and a great philanthropist and established several large foundations, hospitals and institutions for charitable and educational purposes. He was awarded "Padma Bhushan" in the year 2006 by the Government of India for his outstanding services to the nation. In his death, the country has lost a great industrialist and a philanthropist.

Financial Results

During the year under review, the Company's revenue was Rs.736 Crores compared to Rs.771 Crores in the previous financial year. The following table gives a summary of the performance.

	<i>(Rupees in Crores)</i>	
	2009-10	2008-09
Gross sales and services	735.99	770.70
Profit/(Loss) before Interest,		
Depreciation and Taxes	(4.59)	(9.52)
Interest Payment	11.04	12.35
Depreciation	17.63	20.66
Profit / (Loss) before Tax	(33.26)	(42.53)
Provision for Tax	17.84	(3.67)
Profit / (Loss) After Taxation	(51.10)	(38.86)

The revenue account shows a loss of Rs. 51.10 Crores after providing Rs. 17.63 Crores for depreciation and Rs. 17.84 Crores for deferred tax and other taxes. There was a debit balance of Rs. 81.17 Crores in the Profit and Loss Account, which was brought forward from last year. After considering the results of the year under review, there is a closing debit balance of Rs 132.28 Crores in the Profit and Loss Account.

In accordance with the Order of the Government of West Bengal in September 2006 wherein the Company was allowed to develop 314 acres of land at Hindmotor as Integrated IT Township & Auto Ancillary Park, the Company has transferred the balance part of its land admeasuring 62.791 acres by handing over physical possession thereof against payment to the Developer and profit of Rs. 51.37 Crores thereon has been included in the Profit and Loss Account during the year. The Company had entered into a full and final out of Court settlement regarding disagreement/disputes

with the Developer and the said settlement was duly recorded by the Hon'ble High Court at Calcutta. The amount of Rs. 5 Crores paid in pursuance of this settlement has been netted off from the profit on sale of the land. With this, the Company has completed the transfer of 314 acres of land to the Developer.

The accumulated losses of the Company at the end of financial year 31st March, 2010 have resulted in erosion of more than fifty percent of its peak net worth during the immediately preceding four financial years. While the Company is taking necessary steps to protect further erosion, the Company will report to the Board for Industrial and Financial Reconstruction about such erosion of networth as envisaged under Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 forthwith upon finalisation of the duly audited accounts of the Company for the financial year ended 31st March, 2010. Shareholders are also requested to take note of this erosion and consider the same at the Extraordinary General Meeting of the members being convened for the purpose.

A Cash Flow statement for the year under review is also attached to the enclosed Annual Accounts.

Review of Operations

The Company has been focusing on automobile business and auto component business namely forgings, castings and stampings with plants at Uttarpur, Tiruvallur and Pithampur. In the automobile business, the main focus is on Ambassador, Lancer, Cedia, Sports Utility Vehicles namely, Pajero, Montero and Outlander and the recently launched goods carrying mini truck called 'Winner'.

Sale of automobiles during the year under review consisting of Ambassador, Winner, Lancer, Cedia, Sports Utility Vehicle and other Utility Vehicles is 11003 compared to 9211 nos. during the previous financial year registering a growth of 19%. However the benefit of enhanced volumes was offset by adverse movement in foreign exchange rates affecting the profitability of vehicles sold from the Company's Chennai Car Plant. Your Company was able to persuade its foreign collaborator to reduce kit prices in order to stay competitive in the market. The gains of such reduction, due to inherent lead time in shipments, became available to the Company only in the later part of the final quarter of the year under review. In addition, the Company minimized pressure on margins by way of aggressive cost reduction and value engineering measures.

During the year, your Company introduced a new model of Outlander from the Chennai Car Plant as well as the CNG version of Winner from the Uttarpur Plant both of which have generated lot of enthusiasm in the market place and are expected to increase the sales of your Company in the current financial year.

Your Company is taking steps, subject to necessary compliances and approvals, to close the Company's branch

in Japan and the subsidiary in USA engaged in engineering software services due to lack of remunerative business opportunities in the export markets.

A detailed Management Discussion & Analysis Report (MDAR) forms part of this report as Annexure-1.

Outlook for 2010-11

In view of the revival in the economy as well as in the automobile industry, the Company is taking various initiatives to improve the sales of its products and expects to improve the performance in the current financial year. The sale of Ambassador cars will continue to improve initially due to demand from Kolkata taxi replacement market and subsequently with the launch of Bharat Stage-IV versions of the Ambassador. Most of your Company's vehicles either meet the Bharat Stage-IV emission norms or are under final stages of development and testing. These norms were made mandatory by the Government in 13 cities in India with effect from 1st April 2010. The Company continues to focus on cost reduction efforts and improvements in operational efficiencies as well as value engineering activities to improve the margins. With these initiatives, the Company expects improved performance in the current financial year.

Industrial Relations

Industrial relations generally remained cordial and satisfactory.

Human resources initiatives such as skill level upgradation, training, appropriate reward & recognition systems and productivity improvement are the key factors continuously being focused for development of the employees of the Company.

Corporate Governance

The Company continues to remain committed for high standards of corporate governance. The report on corporate governance as per the requirement of the listing agreement with stock exchanges forms part of this report as Annexure-2. The Company has complied with all the requirements of corporate governance. The certificate from the Auditors of the Company confirming compliance to the conditions of the corporate governance requirements is also annexed.

Statutory Declaration

The Company has complied with all the Accounting Standards prescribed by The Institute of Chartered Accountants of India. In terms of the requirement of Section 217 of the Companies Act, 1956, Directors' Responsibility Statement is enclosed as Annexure-3 to this report. The particulars of employees to be disclosed as per the provisions of sub-section (2A) of the said Section are also given as Annexure-4.

Additional Information relating to conservation of energy, technology absorption, foreign exchange earnings and outgo as required under sub-section (1)(e) of the said Section is also given as Annexure-5 to this report.

There has been no material change and commitments

affecting the financial position of the Company which have occurred between the end of the financial year 2009-10 and the date of this report.

There has also been no change during the financial year under review in the nature of Company's business or in the Company's subsidiaries. Steps are being taken to close the business of Company's subsidiary in USA subject to necessary compliances and approvals.

Auditors

The report by the Auditors is self-explanatory. Your Directors request you to re-appoint auditors for another term beginning the conclusion of the ensuing Annual General Meeting till the conclusion of the subsequent Annual General Meeting and approve their remuneration as specified in the proposed resolution attached to the notice.

Subsidiary Companies

The statement pursuant to Section 212 of the Companies Act, 1956 in respect of the three wholly owned subsidiary companies, namely Hindustan Motor Finance Corporation Limited, HM Export Limited and Hindustan Motors Limited, USA and their latest Annual accounts are attached to this Annual Report.

Directors

During the year under review, Shri Vijay Kumar Sharma was nominated by LIC as Director of the Company with effect from 26th October, 2009 to fill in the casual vacancy caused by resignation of Shri S.C.Jain as its nominee on Company's Board. The Board places on record its high appreciation of the valuable services rendered by Shri S.C.Jain during his tenure as Director of the Company.

At the ensuing Annual General Meeting, Shri Naresh Chandra and Shri Kranti Sinha, Directors of the Company, retire by rotation and being eligible offer themselves for re-appointment.

Shri R. Santhanam, Managing Director of the Company, has submitted his resignation with effect from the close of business hours on 18th May, 2010. The Board places on record its high appreciation of the valuable services rendered by Shri R. Santhanam during his tenure as Managing Director of the Company.

Shri Manoj Jha has been appointed as Managing Director of the Company with effect from 19th May, 2010 for a period of five years.

Appreciation

Your Directors acknowledge and thank the customers, shareholders, dealers, vendors, state government authorities, business associates, banks and financial institutions for the support extended to the Company. Your Directors also record their appreciation for the commitment and dedication of the employees of your Company.

For and on behalf of the Board of Directors

New Delhi
1st May, 2010

C.K. Birla
Chairman

Annexure-1 to the Directors' Report

Management Discussion & Analysis Report

Industry Structure & Development

During the year under review the overall economy registered a GDP growth rate of 7.2% as per the Economic Survey tabled by the Government. The index of industrial production increased by 10.1% in this year compared to 2.4% in the previous year. Sale of Passenger Vehicles in the country grew by 25.57% compared to 0.13% in the immediate preceding year.

The table below summarizes the growth in sale of passenger vehicles:

Domestic Sales - Nos	2008-09	2009-10	% age Increase
Passenger Cars	1220475	1526787	25.10
Utility Vehicles	225621	272733	20.88
Multi-purpose Vehicles	106607	150256	40.94
Total Passenger Vehicles	1552703	1949776	25.57

Source : Society of Indian Automobile Manufacturers - Flash Report

Sale of Company's vehicles during the year was 11003 numbers compared to 9211 numbers in the previous financial year registering a 19% increase on year-on-year basis. However this favourable development was offset by adverse fluctuation in foreign exchange severely affecting profitability of Chennai Car Plant operation. The Company took counter measures in the form of negotiating significant reductions with its overseas collaborator as well as value engineering and cost reduction initiatives etc.

During the year, the Company's Chennai Car Plant introduced a new model of Outlander in January 2010. This SUV has generated lot of enthusiasm in the market place and the Company expects to increase its market share in the SUV segment with the introduction of this new model. The CNG version of small goods carrying commercial vehicle 'Winner' was also launched during the year which is generating good demand in CNG markets like Delhi.

Opportunities & Threats

In view of the revival in the economy, higher GDP and industrial production growth rates, demand for the passenger vehicles is expected to continue to grow during 2010-11. The forecast of GDP growth rate for

2010-11 is 8.5 +/- 0.25 %. With the increase in capacities and introduction of newer models, competition is expected to increase further. The rising interest rates, removal of government incentives and stricter emission norms could impact demand in short term.

The Company is hopeful of registering growth in sales during the current year both from its Chennai Car Plant as well as from the Uttarpara Plant. The Company expects to increase its market share in the growing SUV segment with its existing models as well as by introducing new models in the segment. The sale of Ambassador cars is also expected to improve initially due to demand from Kolkata taxi replacement market and subsequently with the launch of Bharat Stage-IV versions of the Ambassador. The recently introduced small goods carrying mini truck called "Winner" is also expected to contribute significant volumes during the current year especially with its Bharat Stage-IV compliant CNG version.

With the growth in the automobile industry, the opportunities in auto component business have also been increasing. The Company is taking number of initiatives for development of the auto component business by approaching both domestic and overseas customers.

Financial Performance

Total turnover of the Company during the year was Rs.736 Crores against Rs. 771 Crores in the previous year. The turnover declined by 5% compared to previous financial year. The loss before interest, depreciation and taxation for the year was Rs.4.59 Crores after including other income of Rs. 66.58 Crores which includes profit from sale of immovable properties in the State of West Bengal. The profitability of the Company was adversely affected due to lower sales volume from Chennai Car Plant, adverse foreign exchange and increase in material cost. Transfer of 314 acres land for Integrated IT Township & Auto Ancillary Park at Hindmotor, in five lots has been completed in accordance with the approval of Government of West Bengal and periodic progress reports have been filed with the Government.

The Company is predominantly in automobile and auto component business. The segment-wise results are indicated in the notes schedule to the accounts.

The Outlook for the year 2010-11 and status on Human Resources/Industrial relations are given in the Directors' Report.

Risks & Concerns

In the normal course of business, the Company is exposed to external risks such as overall demand fluctuations in the market segment in which it operates, reduction in relative market share for its products due to the impact of competition as well as internal risks such as variations in operational efficiency and cost structure. The Company is also exposed to financial risks in the form of foreign exchange fluctuations and interest rate variations. The Company is taking appropriate steps to guard itself against these identified risks.

The Company has put in place a risk management policy to identify the nature and magnitude of risk associated with the Company and to take steps for mitigating the impact of such risks. These are reviewed periodically and placed before the Board.

Internal Control Systems

The Company has established suitable internal control systems, which provide reasonable assurance with regard to safeguarding the Company's assets, promoting operational efficiency and ensuring compliance with various legal and regulatory provisions. The Internal Audit department reviews internal control systems in various business processes and also verifies compliance of the laid down policies and procedures. Reports of the internal auditor are reviewed by the senior management and are also placed before the audit committee of the Directors. The statutory auditors also review their findings with the senior management and the audit committee.

For and on behalf of the Board of Directors

New Delhi
1st May, 2010

C.K. Birla
Chairman

Annexure-2 to the Directors' Report

Report on Corporate Governance

1. Company's philosophy on Corporate Governance

The Company's philosophy on Corporate Governance has been developed with a tradition of fair and transparent governance and disclosure practices, many of which were in existence even before they were mandated by legislation. Transparency, integrity, professionalism and accountability-based values form the basis of the Company's philosophy for corporate governance. The Company strives to improve the corporate governance practices to meet stakeholders' expectations and strictly complies with regulatory guidelines on corporate governance.

2. Board of Directors

(a) Composition of Board

As on date the Board of Directors have ten members comprising of one Executive Director and nine Non Executive Directors. The Non Executive Directors account for ninety percent of Board's strength against minimum requirement of fifty percent as per Clause 49 of the listing agreement. There are six Independent Directors. The Non Executive Directors are eminent professionals, drawn from amongst persons with experience in business & industry, finance & law. The Company has a Non Executive Chairman who is also Promoter of the Company. The composition of Board of Directors as on the date of the report is as follows :-

Name of Directors	Category	No. of other Directorships	No. of other Board Committee(s) of which he is a member *	No. of other Board Committee(s) of which he is a Chairman *
Shri C. K. Birla - Chairman	Promoter - Non Executive	12	-	-
Shri Naresh Chandra	Independent - Non Executive	19	9	-
Shri Pradip Kumar Khaitan	Not Independent - Non Executive	14	5	-
Dr. Anand C. Burman	Independent - Non Executive	24	1	-
Shri Kranti Sinha	Independent - Non Executive	2	4	3
Shri Yogesh Kr. Rastogi	Independent - Non Executive - ICICI Nominee-Lender	2	-	-
Shri A. Sankaranarayanan	Not Independent - Non Executive	4	1	1
Shri Subroto Gupta	Independent - Non Executive - IDBI Nominee- Lender	-	-	-
Shri Vijay Kumar Sharma	Independent - Non Executive - LIC Nominee	-	-	-
Shri R. Santhanam	Managing Director	-	-	-

* includes the membership / chairmanship only of Audit Committee(s) and Shareholders' / Investors' Grievances Committee(s).

HINDUSTAN MOTORS LIMITED

Shri S. C. Jain ceased to be a Nominee Director of LIC with effect from 4th September, 2009 and Shri Vijay Kumar Sharma was appointed as Director as a Nominee of LIC with effect from 26th October, 2009.

None of the Non Executive Directors of the Company has any pecuniary relationship or transaction with the Company, except Shri Pradip Kumar Khaitan, Director of the Company, who is a partner of M/s Khaitan & Co., the Company's Solicitors and Advocates. There is no inter se relationship between the Directors.

(b) Board Meetings

During the year ended 31st March, 2010, four meetings of the Board of Directors were held on 13th May, 2009, 24th July, 2009, 26th October, 2009, 27th January, 2010. The attendance of the Directors in these meetings was as follows:

Name of the Directors	Board Meetings		Last Annual General Meeting
	Held	Attended	If Attended
Shri C. K. Birla	4	4	Yes
Shri Naresh Chandra	4	4	Yes
Shri Pradip Kumar Khaitan	4	4	Yes
Dr. Anand C. Burman	4	2	No
Shri Kranti Sinha	4	3	Yes
Shri S. C. Jain (ceased to be a Director w.e.f. 4-9-2009)	4	2	Yes
Shri Yogesh Kr. Rastogi	4	3	No
Shri A. Sankaranarayanan	4	3	Yes
Shri Subroto Gupta	4	3	Yes
Shri Vijay Kumar Sharma (nominated by LIC and approved by Board on 26-10-2009)	4	2	N.A.
Shri R. Santhanam	4	4	Yes

(c) Shareholding of Non Executive Directors

As on 31st March, 2010 number of shares held by Non Executive Directors were as follows:-

Name of Non Executive Directors	No. of Shares held on 31st March, 2010
Shri C. K. Birla	6000
Dr. Anand C. Burman	1000
Shri Kranti Sinha	500
Shri A. Sankaranarayanan	1300

3. Audit Committee

- (a) The Audit Committee of Directors was constituted on 15th May, 1987. The terms of reference of the Audit Committee were expanded by the Board of Directors of the Company at its meetings held on 25th January, 2000, 31st August, 2000, 29th January, 2005 and on 27th April, 2006 and covers the matters specified for it under Clause 49 of Listing Agreement as well as in Section 292A of the Companies Act, 1956.

(b) The composition of the Audit Committee as on the date is as follows:

Name	Nature of Directorship	Membership
Shri Naresh Chandra	Independent and Non Executive Director	Chairman
Shri Kranti Sinha	Independent and Non Executive Director	Member
Shri Yogesh Kr. Rastogi	Independent and Non Executive Director	Member
Shri A. Sankaranarayanan	Not Independent and Non Executive Director	Member
Shri Subroto Gupta	Independent and Non Executive Director	Member
Shri Vijay Kumar Sharma	Independent and Non Executive Director	Member

- Composition of the Committee is in conformity with clause 49(II) (A) of the Listing Agreement. Three of the members are nominees of Financial Institutions.
- Shri Naresh Chandra, Chairman of the Audit Committee was present at the Annual General Meeting held on 24th July, 2009 to reply to shareholders' queries.
- The Audit Committee provides an overview on the reporting process of the Company's financial and accounting mechanism and ensures that disclosures in its financial statements are correct, sufficient and credible.
- The Committee reviews the efficacy of the internal control mechanism and monitors the risk management policies adopted by the Company. The Committee also reviews the report furnished by the internal and statutory auditors and ensures that suitable follow-up actions are taken. Besides, the Committee also examines accounting, taxation and disclosure aspects of all significant transactions.
- At the invitation of the Committee, the Managing Director, the Chief Internal Auditor, the Statutory Auditor, the Cost Auditor, and the Chief Financial Officer & Company Secretary, who is acting as the Secretary to the Audit Committee also attended the Audit Committee Meetings to answer and clarify the queries raised at the Committee Meetings.

(c) During the year ended 31st March, 2010 four Audit Committee Meetings were held on 13th May, 2009, 24th July, 2009, 26th October, 2009, 27th January, 2010 and the attendance of the Audit Committee Members was as under :-

Audit Committee Meetings

Name of the Audit Committee Members	Held	Attended
Shri Naresh Chandra	4	4
Shri Kranti Sinha	4	3
Shri S. C. Jain (ceased to be Member w.e.f. 4th September, 2009)	4	2
Shri Yogesh Kr. Rastogi	4	3
Shri A. Sankaranarayanan	4	3
Shri Subroto Gupta	4	3
Shri Vijay Kumar Sharma (LIC nominee, nominated by Board of Directors on 26th October, 2009)	4	1

4. Remuneration Committee

The Board of Directors of the Company at their meeting held on 14th March, 2003 constituted a Remuneration Committee of Directors mainly for the purpose of recommending the Company's policy on Remuneration Package for the Managing/Executive Directors, reviewing the structure, design and implementation of remuneration policy in respect of such directors and approving, reviewing and evaluating Employees' Stock Option Plan.

HINDUSTAN MOTORS LIMITED

The composition of the Remuneration Committee as on the date of the report is as follows :-

Name	Nature of Directorship	Membership
Shri Naresh Chandra	Independent and Non Executive Director	Chairman
Shri Pradip Kumar Khaitan	Not Independent and Non Executive Director	Member
Shri Kranti Sinha	Independent and Non Executive Director	Member
Shri A. Sankaranarayanan	Not Independent and Non Executive Director	Member
Shri Vijay Kumar Sharma	Independent and Non Executive Director	Member

Shri S. C. Jain ceased to be a Nominee Director of LIC with effect from 4th September, 2009. Shri Vijay Kumar Sharma was nominated on 27th January, 2010.

The Chief Financial Officer & Company Secretary acts as the Secretary of the Committee.

During the year under review, one meeting of the Remuneration Committee was held on 13th May, 2009.

In so far as the Managing Director is concerned, the Company pays remuneration by way of salary, perquisites and allowances (fixed/variable components) within the range approved by the shareholders and subsequently approved by the Central Government. The annual increments effective 1st April of each year as recommended by the Remuneration Committee are also paid. The ceiling on perquisites and allowances is as fixed by the Remuneration Committee.

Remuneration paid to Directors during the financial year ended 31st March, 2010

Non Executive Directors

(Amount in Rs.)

Name	Sitting fees for attending Committee and Board Meetings
Shri C. K. Birla	40,000
Shri Naresh Chandra	1,00,000
Shri Pradip Kumar Khaitan	80,000
Dr. Anand C. Burman	20,000
Shri Kranti Sinha	80,000
Shri S. C. Jain	50,000
Shri Yogesh Kr. Rastogi	60,000
Shri A. Sankaranarayanan	80,000
Shri Subroto Gupta	70,000
Shri Vijay Kumar Sharma	30,000

Executive Director

(Amount in Rs.)

Shri R. Santhanam, Managing Director	
Salary* and allowances	69,54,838
Benefits	4,27,483
Bonuses	1,45,162
Stock Option	-
Contribution* to :-	
(i) Superannuation Fund	5,40,000
(ii) Provident Fund	4,32,000
Total	84,99,483

* does not include contribution to Gratuity Fund.

Notes:

- a) Apart from making payment of sitting fee for attending the Board/Committee meetings and defraying expenses for attending such meetings and other travelling expenses incurred wholly and exclusively in attending to Company's work, no remuneration in any form is paid to Non Executive Directors.
- b) M/s Khaitan & Co., Solicitors of the Company of which Shri Pradip Kumar Khaitan is a Partner renders professional services to the Company upon receipt of fee.
- c) The employment of the Managing Director is contractual in nature and is terminable by either side on three months' notice or payment of basic salary in lieu thereof.

5. Special Committee of Directors

The Board of Directors of the Company at its meeting held on 25th January, 2007 had constituted a Special Committee of Directors comprising of Shri Naresh Chandra and Shri Pradip Kumar Khaitan for the limited purpose of finalizing the development programme / sale of the Company's land at Uttarpara. During the year under review only one meeting of such committee of Directors was held on 13th May, 2009 in which both the members were present.

The Board of Directors of the Company at its meeting held on 1st May, 2010 has expanded the ambit and scope of powers and authorities of the Committee. Shri A. Sankaranarayanan was nominated in the Special Committee of Directors on 1st May, 2010.

6. Corporate Risk Management Committee

The Board of Directors of the Company at its meeting held on 28th July, 2006 had constituted a committee known as Corporate Risk Management Committee comprising of the Managing Director and six officers to ensure that risks as identified in the Risk assessment and minimization policy of the Company are controlled through a properly defined framework. During the year under review four meetings of such committee were held on 25th June, 2009, 16th September, 2009, 22nd December, 2009 and 18th March, 2010.

7. Executive Committee of Directors

The Board of Directors had constituted an Executive Committee of Directors, the present composition of which as on the date is as follows :

1. Shri Pradip Kumar Khaitan - Chairman
2. Shri A. Sankaranarayanan

The Executive Committee meets as and when necessary to attend to urgent business and is empowered to do all such acts, deeds and things, which are delegated to it by the Board. No meeting of the Executive Committee was required to be held during the year under review.

The purpose of the Committee having been achieved the Board of Directors at its meeting held on 1st May, 2010 has dissolved the said Committee.

8. The Shareholders'/Investors' Grievances Committee

The present composition of the Shareholders'/Investors' Grievances Committee as on the date of the report is as follows :

Name	Nature of Directorship	Membership
Shri Pradip Kumar Khaitan	Not Independent and Non Executive Director	Chairman
Shri Kranti Sinha	Independent and Non Executive Director	Member
Shri A. Sankaranarayanan	Not Independent and Non Executive Director	Member
Shri Subroto Gupta	Independent and Non Executive Director	Member
Shri R. Santhanam	Executive Director	Member

Shri Yogesh Goenka, Chief Financial Officer & Company Secretary of the Company is designated as the Compliance Officer.

HINDUSTAN MOTORS LIMITED

The Committee oversees the performance of Karvy Computershare Pvt. Limited, the Registrar and Share Transfer Agents of the Company and recommends measures to improve the level of investor related services. Though the powers to approve share transfer/share transmission are delegated to the Registrar and Share Transfer Agents, all the share transfer/transmission cases approved by the Registrar are reported to the Committee which also keeps a close watch on disposal status of all complaints/grievances of shareholders. During the year under review, 121 complaints were received by the Company/Registrar and Share Transfer Agents from shareholders and/or through regulatory bodies. All these complaints have been redressed except one as on 31st March, 2010 which was subsequently redressed. There were no share transfer applications pending for registration as on 31st March, 2010 except 4 applications for 800 shares which are under the category of Seller's Notice.

During the year ended 31st March, 2010 two meetings were held on 26th October, 2009, 27th January, 2010 and the attendance of the Members was as under:-

Shareholders'/Investors' Grievances Committee

Name of the Shareholders'/Investors' Grievances Committee Members	Held	Attended
Shri Pradip Kumar Khaitan - Chairman	2	2
Shri Kranti Sinha	2	1
Shri A. Sankaranarayanan	2	1
Shri Subroto Gupta	2	1
Shri R. Santhanam	2	2

Complaints received during the financial year ended 31st March, 2010 by the Company and the Registrar and Share Transfer Agents of the Company

Nature of Complaints	No. of complaints	
	Received	Attended to
Non-receipt of Dividend Warrants	48	47
Non-receipt of redemption warrant	1	1
Non-receipt of Annual Report	14	14
Non-receipt of Securities	36	36
Non-receipt of fresh/new Securities	6	6
Non-receipt of Securities after transfer	9	9
Miscellaneous	7	7
	121	120

9. General Body Meetings

Nature of the General Meetings held in the last three years	Date	Venue	If Special Resolution(s) passed
Annual General Meeting	24th July, 2009	Kolkata Ice Skating Rink 78, Syed Amir Ali Avenue Kolkata-700019	Yes
Annual General Meeting	5th August, 2008	-do-	No
Annual General Meeting	27th August, 2007	-do-	Yes

During the year, no resolution was passed through postal ballot in accordance with Section 192A of the Companies Act, 1956.

10. Disclosures

There are no materially significant transactions with the related parties that may have potential conflict with Company's interest at large.

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

No personnel has been denied access to the Audit Committee.

The Company complies with all the mandatory requirements and one non-mandatory requirement of Clause 49 of Listing Agreement viz. constitution of Remuneration Committee of Directors.

11. Means of Communication

Subject	Details
Quarterly results	Published in the newspapers in terms of Clause 41 of the Listing Agreement.
Newspapers wherein results normally published	The Financial Express - All India publications. Aajkal (Bengali version) - Kolkata Edition
Any website, where displayed	www.hindmotor.com
Whether it also displays official news released and presentations made to institutional Investors/Analysts	Yes
Whether MD&A is a part of Annual Report	Yes. The same is as per Annexure 1 to the Directors' Report.

12. General Shareholder Information

Annual General Meeting	
Date & time	10th August, 2010 at 2.00 PM
Venue	Kolkata Ice Skating Rink, 78, Syed Amir Ali Avenue, Kolkata - 700 019
Financial Calendar for F.Y. 2010-11	a. 1st Quarterly Results - On or before 14th August, 2010 b. 2nd Quarterly Results - On or before 14th November, 2010 c. 3rd Quarterly Results - On or before 14th February, 2011 d. Annual Audited Results - On or before 30th May, 2011
Date of Book closure	3rd August, 2010 to 10th August, 2010 (both days inclusive)
Dividend Payment	In view of the cumulative debit balance in the profit & loss account after taking into account the results for the year under review, there did not arise any occasion for the Board of Directors to consider recommending any dividend on the equity shares of the Company.

HINDUSTAN MOTORS LIMITED

Listing on Stock Exchanges	National Stock Exchange of India Limited "Exchange Plaza", Bandra-Kurla Complex, Bandra (E) Mumbai - 400 051 Tel : 91-22-2659 8235/8236 Fax : 91-22-2659 8237/8238	
	Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001 Tel : 91-22-2272 1233/1234 Fax : 91-22-2272 2041/3577	
	The Calcutta Stock Exchange Association Limited, 7, Lyons Range, Kolkata 700 001 Tel : 91-33-2230 9366/1488 Fax : 91-33-2210 4492/4486	
Stock code	National Stock Exchange of India Ltd. Bombay Stock Exchange Ltd. The Calcutta Stock Exchange Association Ltd.	HINDMOTOR 500500 1000012
ISIN Number	INE253A01017	

Market Price Data

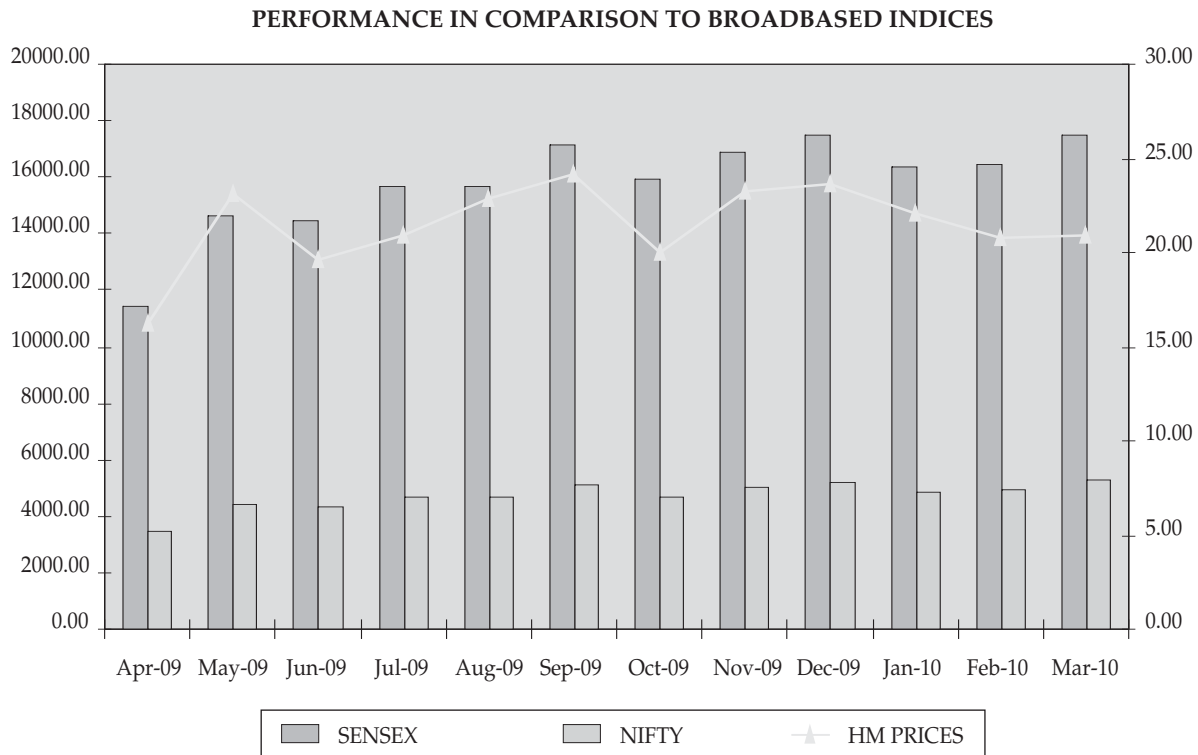
The Company's shares are listed on National Stock Exchange of India Limited, Bombay Stock Exchange Limited and The Calcutta Stock Exchange Association Limited. The monthly high and low quotations of shares traded during the year ended 31st March, 2010 are as below :

(Amount in Rs.)

Month	NSE		BSE		CSE	
	High	Low	High	Low	High	Low
April-09	20.80	12.75	20.80	12.80	NIL	NIL
May-09	25.20	15.50	25.45	15.10	NIL	NIL
June-09	28.90	19.40	29.30	19.40	NIL	NIL
July-09	21.90	15.95	21.55	15.80	NIL	NIL
August-09	25.45	20.40	25.20	20.40	NIL	NIL
September-09	25.25	22.00	25.35	22.10	NIL	NIL
October-09	24.35	19.75	24.40	19.70	NIL	NIL
November-09	28.80	18.85	28.80	18.70	NIL	NIL
December-09	24.40	21.75	24.90	21.70	NIL	NIL
January- 10	28.10	21.20	27.95	21.00	NIL	NIL
February - 10	23.25	19.95	23.45	20.05	NIL	NIL
March - 10	24.75	20.80	24.85	20.70	NIL	NIL

HM's share price movement in comparison to broad-based indices

A graphical presentation is as follows :-

**The Registrar and Share Transfer Agents of the Company**

Karvy Computershare Pvt. Limited
 Plot nos. 17 to 24 Vittal Rao Nagar
 Madhapur , Hyderabad 500 081
 Telephone No : (040) 4465 5000
 Fax : (040) 2342 0814
 E-mail : mahendra.singh@karvy.com
 Kolkata Office : (033) 2464 7231, 2464 4891

Share Transfer System

Shares sent for physical transfer, if the documents are clear in all respects, are generally registered within an average time period of not more than 7 days from the date of receipt of the request. The Authorized Officers of the Registrar and Share Transfer Agents meet as often as required. During the year ended 31st March, 2010, 41534 shares in physical form were transferred and the transfer process was completed within an average time period of not more than 7 days from the date of lodgement unless notices were required to be sent to the Registered Owners in certain identified categories of cases.

HINDUSTAN MOTORS LIMITED

The Distribution of Shareholding as on 31st March, 2010

No. of Shares	Shareholders		Shares	
	Numbers	%	Numbers	%
1 - 500	130474	83.19	23210386	14.40
501 - 1000	14628	9.33	12310153	7.64
1001 - 2000	6295	4.01	9847516	6.11
2001 - 3000	1902	1.21	4942155	3.07
3001 - 4000	807	0.51	2947805	1.83
4001 - 5000	878	0.56	4207825	2.61
5001 - 10000	1045	0.67	7829185	4.86
10001 - 20000	422	0.27	6045604	3.75
20001 and Above	386	0.25	89831364	55.74
TOTAL	156837	100.00	161171993	100.00

Category of Shareholders as on 31st March, 2010

Sl. No.	Category	No. of holders	% of holders	No. of Shares	% of Shareholding
1.	Promoters	23	0.01	43873754	27.22
2.	Mutual Funds/UTI	16	0.01	67050	0.04
3.	Financial Institutions/ Banks/ Insurance Companies	66	0.04	13285635	8.24
4.	Foreign Institutional Investors	14	0.01	174034	0.11
5.	Private Corporate Bodies	2221	1.42	22613699	14.03
6.	Resident Individuals	152629	97.32	76725462	47.60
7.	NRIs & OCBs	1722	1.10	4077440	2.53
8.	Clearing Members	137	0.09	342782	0.21
9.	Trusts	9	0.01	12137	0.01
	TOTAL	156837	100.00	161171993	100.00

Dematerialisation of Equity Shares and Liquidity

The Company's shares are currently traded only in dematerialised form at three stock exchanges viz. National Stock Exchange of India Limited, Bombay Stock Exchange Limited and The Calcutta Stock Exchange Association Limited. To facilitate trading in dematerialised form, the Company has tied up arrangements with both the present depositories, i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Shareholders can open account with any of the depository-participants registered with any of these depositories. As on 31st March, 2010, about 92.30% of the Company's shares were held in dematerialised form.

None of the Company's shares are under lock-in period for any purpose.

Plant Locations (Manufacturing Units)

Address	Items produced
1. Uttarpara Division (UTP) Hindmotor Dist. Hooghly West Bengal - 712 233	Ambassador, Mini Truck - Winner, Auto Components namely Forging, Stamping, Castings and Spare parts.
2. Chennai Car Plant (CCP) Adigathur Kadambathur - 631 023 Tiruvallur Dist., Tamil Nadu	Lancer, Cedia, Pajero, Outlander and Spare parts.
3. Rural Transport Vehicle Plant (RTV) Pithampur Sector III Sagore - 454 774 District Dhar (Madhya Pradesh)	Rural Transport Vehicle (RTV) Multi-utility vehicles and spare parts

CEO Declaration on Code of Conduct

Reproduced is the text of the declaration made by the CEO cum Managing Director confirming compliance of Code of Conduct by all Directors and Senior Management personnel:-

May 1, 2010

The Board of Directors
Hindustan Motors Limited
9/1 R. N. Mukherjee Road
Kolkata 700 001

Dear Sir

I hereby confirm and declare that all the Directors of the Company and all Senior Management personnel as defined in the Code of Conduct of the Company have submitted annual declarations confirming their compliance of the same.

Thanking you

Yours faithfully
For Hindustan Motors Limited

Sd/-
R. Santhanam
CEO and Managing Director

HINDUSTAN MOTORS LIMITED

Address for Correspondence:

- For matters related to shares :

Karvy Computershare Pvt. Limited
Plot nos. 17 to 24 Vittal Rao Nagar
Madhapur, Hyderabad 500 081
Telephone No : (040) 4465 5000
Fax : (040) 2342 0814
E-mail : mahendra.singh@karvy.com

- For queries/assistance on issues other than shares (including those related to financial statements) :

Shri Yogesh Goenka
Chief Financial Officer & Company Secretary
Hindustan Motors Ltd
9/1, R. N. Mukherjee Road
Kolkata - 700 001
Telephone No : (033) 2242 0932/0930
Fax No. : (033) 2248 0055
E-mail : hmcosecy@hindmotor.com

- For share transfer/transmission requests

Any of the local branches of Karvy Computershare Pvt. Ltd., a list of which can be available from Karvy's aforesaid address or from the office of the Chief Financial Officer & Company Secretary.

Details of Directors seeking reappointment at the ensuing Annual General Meeting :

Name of Director	Shri Naresh Chandra	Shri Kranti Sinha
Date of birth	01.08.1934	28.12.1942
Date of appointment	24.07.2002	15.12.2003
Qualification	M.Sc., I.A.S. (Retired)	M. A.
Nature of expertise in specific functional areas	Retired civil servant who had served in various capacities including as Cabinet Secretary, Govt. of India and the Chief Secretary, Govt. of Rajasthan and having vast experience in diversified fields like Industries and Mines, Power, Finance, Agriculture, Home Affairs, Water Resources and Defence. After retirement, served as Senior Advisor to the Prime Minister, Governor of Gujarat and Ambassador of India to the U.S.A. Chaired Committee on Corporate Governance norms and Audit practices. In January 2007 he was awarded "Padma Vibhushan", by the Hon'ble President of India.	Retired senior executive of Public Sector undertaking and having varied experience in business.

Names of directorship in other companies	<ol style="list-style-type: none"> 1. Bajaj Auto Ltd. 2. Balrampur Chini Mills Ltd. 3. Associated Cement Companies Ltd. 4. Electrosteel Castings Ltd. 5. Vedanta Resources Plc. London 6. AVTEC Ltd. 7. Vis Legis Consult Pvt. Ltd. 8. Cairn India Ltd. 9. G-4S Corporate Services (India) Pvt. Ltd. 10. EROS International PLC, UK 11. Gammon Infrastructure Projects Limited 12. Linde Engineering India Private Ltd. 13. Emerging Ventures India Private Limited 14. Ambuja Cement Ltd. 15. Bajaj Finserv Limited 16. Bajaj Holdings & Investment Ltd. 17. EROS International Media Limited 18. EROS Energy Pvt. Limited 19. Cairn Energy Asia Pty. Limited 	<ol style="list-style-type: none"> 1. India Infoline Ltd. 2. Cinemax (India) Ltd.
Names of committees of other companies in which the director is a member	<ol style="list-style-type: none"> 1. Audit Committee of Cairn India Ltd. 2. Shareholders' / Investors' Committee of Bajaj Auto Ltd. 3. Audit Committee of Bajaj Auto Ltd. 4. Audit Committee of Associated Cement Companies Ltd. 5. Audit Committee of EROS International Media Ltd. 6. Audit Committee of Electrosteel Castings Ltd. 7. Audit Committee of Bajaj Holdings & Investment Ltd. 8. Audit Committee of Gammon Infrastructure Projects Limited 9. Audit Committee of Bajaj Finserv Limited 	<ol style="list-style-type: none"> 1. Audit Committee of India Infoline Ltd. 2. Chairman, Investors Grievance & Share Transfer Committee of India Infoline Ltd. 3. Chairman, Audit Committee of Cinemax (India) Ltd. 4. Chairman, Investors Grievance & Share Transfer Committee of Cinemax (India) Ltd.
No. of shares held in the Company	NIL	500
Relationships with other Directors	No	No

The above report was placed before and approved by the Board at its Meeting held on 1st May, 2010.

For and on behalf of the Board of Directors

New Delhi
1st May, 2010

C. K. Birla
Chairman

Auditors' Certificate

To
The Members of Hindustan Motors Limited

We have examined the compliance of conditions of corporate governance by Hindustan Motors Limited ("Company"), for the year ended on March 31, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).

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 the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

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 **S.R. BATLIBOI & CO.**

Regn. No.: 301003E

Chartered Accountants

Per **Raj Agrawal**

Partner

Membership No.: 82028

Place: New Delhi

Date: May 1, 2010

Annexure-3 to the Directors' Report

Directors' Responsibility Statement

The Board of Directors confirms that :

- A. In the preparation of the annual accounts, for the year ended 31st March, 2010, all the applicable accounting standards prescribed by the Institute of Chartered Accountants of India have been followed.
- B. The Directors have adopted such accounting policies and have applied them consistently and have made judgements 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 loss of the Company for that period.
- C. 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.
- D. The Directors have prepared the annual accounts on a going concern basis.

For and on behalf of the Board of Directors

New Delhi
1st May, 2010

C. K. Birla
Chairman

Annexure 4 to the Directors' Report

Information under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 (as amended) and forming part of the Directors' Report for the year ended 31st March, 2010.

A) Employed throughout the financial year and were in receipt of Gross remuneration in aggregate of not less than Rs.2400000/- p.a.

Name / (Age)	Designation / Nature of Duties / Experience	Gross Remuneration (Rs.)	Net Remuneration (Rs.)	Qualification	Date of Commencement of Employment	Particulars of Last Employment. Employer/ Last Post Held / No. of Years - Months.
Santhanam R (56)	Managing Director (32)	8519680	5161320	B.Tech., P.G.Dip (Mgmt)	21/04/2004	Mahindra Holiday Resorts Ltd. / Managing Director/ 03
Eric Paul Rajendran (51)	Group President - HR (27)	3605596	2272360	P.G. in Personnel Mgmt.	20/04/1998	Nagarjuna Fertilizers & Chem.Ltd./Group GM(HR) / 04
Chowdhury Moloy (55)	Executive Vice President - UTP(32)	4323309	3054129	B.E. (Mech.)	20/01/2006	Govind Rubber Ltd./ Director Operation/01-08
Vijay Kumar YVS (46)	Executive Vice President - CCP (22)	5130897	3826447	B.E., MBA	16/01/2006	Delphi, Noida / Vice President / 01
Ravi K R (52)	Executive Vice President (28)	4345172	3035093	MA in Personnel Mgmt., MA in Public Admin.	12/12/2005	PSEG Global / 02
Murthy K S R (43)	Vice President - FSF (21)	3583910	2516900	M.Tech, PGDBM	02/11/2008	Caparo Engg. India Pvt. Ltd. / Exec. Director / 01-07
Goenka Y (42)	C F O & Company Secretary (17)	2803483	1928844	B.Com, FICWA, ACS, MBM	01/04/1993	None
Sriram P S (40)	Sr. G.M.- Operations CCP (19)	3196413	2357459	BE, (Mech.)	01/04/2009	Automotive Coaches & Components Limited / 00-10

B) Employed for a part of the financial year and were in receipt of Gross remuneration in aggregate of not less than Rs.200000/- p.m.
NIL

Gross remuneration includes actual payments and /or taxable value of perquisites and Company's contribution to provident and superannuation funds (excluding gratuity and other parting benefits).

Net remuneration is arrived at by deducting from the gross remuneration, income tax, Company's contributions to provident and superannuation funds, and the monetary value of non-cash perquisites wherever applicable.

Nature of employment - Non contractual except Mr. R. Santhanam

Other terms and conditions are as per rules of the Company

UTP denotes Automobile Division, Uttarpara Plant (Hindmotor)

CCP denotes Automobile Division, Chennai Car Plant (Tiruvallur)

FSF denotes Forge, Stamp & Foundry, Uttarpara Plant (Hindmotor)

None of above employees is related to any of the Directors of the Company.

For and on behalf of the Board of Directors

New Delhi
1st May, 2010

C. K. Birla
Chairman

Annexure-5 to the Directors' Report

[Additional information given as required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.]

A. ENERGY CONSERVATION

A.I Important measures taken :

At UTP Division :

- a. At Forge Shop the maximum demand has been kept at 10200 KVA by taking following measures:
 1. Application of power capacitors at different sub stations
 2. Monitoring peak load time at different shops
 3. Reducing number of man cooler fan
 4. Installation of Induction Furnace for Billet Heating and
 5. Installation of Heat Treatment Furnace.
- b. Power factor has been maintained at 0.98 resulting in saving in energy cost.
- c. Water consumption has been reduced from 825 meter cube per day to 810 meter cube per day through water management.
- d. Reducing the usage of Air-conditioners.
- e. Power consumption for compressor has been maintained at the level of 8000 KWH per day by :
 1. Arresting leakage;
 2. Increasing compressor efficiency and
 3. Running compressor on demand.

At CCP Division :

- a) Installation of energy efficient T5 series lamps in place of sodium vapour lamp for street light
- b) Power factor maintained at 0.98

At RTV Division :

- a. The load demand was reduced in 2006-07 from 1000 KVA to 600 KVA.
- b. Power factor is continued to be maintained at 0.98 - 0.99.

A.II. Impact of above energy conservation measures:

- | | | |
|--|---|----------------|
| i) Total savings (for all the divisions) | : | Rs. 80.17 lacs |
| ii) Energy saving per unit of output at | | |
| a. UTP Division | | |
| - Vehicles | : | Rs. 700.00 |
| - Steel Products | : | Rs. 715.00 |
| b. CCP Division | : | Rs. 172.00 |
| iii) Energy saving against total cost of energy at | | |
| a. UTP Division | : | 4.5% |
| b. CCP Division | : | 1.41% |

B. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

B.I In-house major research & development (R&D)

B.IA At UTP Division

1. Specific areas in which R&D carried out :

- a. Introduction of CNG Variant on Winner Mini Truck
- b. Compliance of all Ambassador and Winner models to new Government Notification GSR 784(E) Phase II for new Central Motor Vehicle Rules introduced from 1st October, 2009.
- c. Approval of Ambassador CNG, Ambassador Petrol and Winner CNG meeting new regulation Bharat Stage IV.

2. Benefits derived as a result of above efforts are :

- a. Introduction of new variants to meet the demand in developing market segment.
- b. Compliance of regulatory norms/requirements.

3. Future plan of action :

- a. Compliance of new Central Motor Vehicle Rules on all Ambassador & Winner Models.
- b. Compliance of BS-IV on other Ambassador & Winner Models.
- c. Introduction of more variants on Winner Mini Truck.

B.IB At CCP Division

1. Specific areas in which R&D Carried out :

- a. Introduction of upgraded Pajero & Cedia
- b. Introduction of upgraded Outlander (Model Year 10)
- c. Approval of Outlander and Cedia meeting new Regulation Bharat Stage IV
- d. Approval of Safety Parts meeting new regulations

2. Benefits derived as a result of above efforts are :

- a. Compliance of regulatory norms/requirements
- b. Market sustainability through product upgradation with contemporary features

3. Future plans of action :

- a. Conformance of current and forthcoming Central Motor Vehicle Rules
- b. Introduction of Montero meeting new Regulation Bharat Stage IV
- c. Introduction of new Model Lancer Evolution
- d. Introduction of new/upgraded Mitsubishi Models

B.IC At RTV Division

1. Specific areas in which R&D carried out:

- a. Certification of CNG Pick Up & Drive Away Chassis variants.

2. Benefits derived as a result of above efforts are:

- a. Compliance of regulatory norms/requirements.

3. Future plan of action :

- a. Introduction of manufacturing Collapsible Container

B.II The expenditure incurred for R&D during the year was :

(For all the divisions taken together)

Capital Expenditure	:	Rs. 0.64 lacs
Recurring	:	Rs. 310.55 lacs
Total	:	Rs. 311.19 lacs
Percentage of Turnover	:	0.54%

B.III Technology imported during the last 5 years :

Technology for	Year of Import	Technology Source / Consultant	Has technology been fully absorbed	If not fully absorbed, areas where this has not taken place, reasons therefore and future plan of action
Mitsubishi Cedia Elegance & Sports	2005	Mitsubishi Motors Corporation, Tokyo, Japan	Technology for in-house manufacturing has been fully absorbed.	Localisation of chassis parts not taken up due to low volumes.
Mitsubishi Lancer with 1600 cc Gasoline Engine	2006	-do-	Technology for in-house manufacturing has been fully absorbed.	Localisation of chassis parts not taken up due to low volumes
Mitsubishi Montero with Manual Transmission	2006	-do-	Technology for CBU route has been fully absorbed	NA
Mitsubishi Montero with Automatic Transmission	2007	-do-	Technology for CBU route has been fully absorbed.	NA
Mitsubishi Outlander with Continuous Variable Transmission	2008	- do -	Technology for in-house manufacturing has been fully absorbed	Localisation of chassis parts not taken up due to low volumes.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

During the financial year under review, the FOB value of exports of goods by the Company aggregated to Rs.4.43 lacs as against the corresponding figure of Rs.64.27 lacs for the financial year ended 31st March, 2010.

During the financial year ended 31st March, 2010, the Company has imported components/spare parts, vehicles for trading and capital goods for an aggregate CIF value of Rs.18029.20 lacs (against a corresponding figure of Rs. 21604.49 lacs for the financial year ended 31st March, 2009). The Company has also incurred expenditure in foreign currency towards Royalties, Technical know-how fees, Interest and other expenses aggregating to Rs.188.84 lacs (against a corresponding figure of Rs.350.14 lacs for the financial year ended 31st March, 2009).

For and on behalf of the Board of Directors

New Delhi
1st May, 2010

C. K. Birla
Chairman

Disclosure

Disclosure of particulars of persons constituting "Group" pursuant to Regulation 3(1)(e)(i) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997

Amer Investments (Delhi) Limited, Ashok Investment Corporation Limited, Balsam Investment & Trading Co. Private Limited, Basant Properties Limited, Bengal Rubber Company Limited, Bengal Stores Limited, Birla Brothers Private Limited, Central India Industries Limited, Chhotanagpur General Trading Co. Limited, Gwalior Finance Corporation Limited, Hindusthan Discounting Company Limited, Hitaishi Investments Limited, India Silica Magnesite Works Limited, Jaipur Development Co. Limited, Jaipur Finance & Dairy Products Private Limited, National Bearing Company (Jaipur) Limited, National Engineering Industries Limited, Rajasthan Industries Limited, Ranchi Enterprises & Properties Limited, Shekhavati Investment And Traders Limited, Soorya Vanijya & Investment Limited, Universal Trading Company Limited, Miss Avani Birla, Miss Avanti Birla, Shri Chandra Kant Birla, Shri Ganga Prasad Birla, Shri Raja Gopalan Santhanam, Smt. Amita Birla, Smt. Nirmala Birla.

For and on behalf of the Board of Directors

New Delhi
1st May, 2010

C. K. Birla
Chairman

AUDITORS' REPORT

TO THE MEMBERS OF HINDUSTAN MOTORS LIMITED

1. We have audited the attached Balance Sheet of Hindustan Motors Limited ('the Company') as at March 31, 2010 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. 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. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. 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;
 - ii. 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 such books and proper returns adequate for the purposes of our audit have been received from the Company's overseas branch not visited by us;
 - iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of account as submitted to us;
 - iv. In our opinion, the Balance Sheet, Profit and Loss Account and 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.
 - v. On the basis of the written representations received from the directors, as on March 31, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said statements of account, read together with the Notes appearing on Schedule 22, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010;
 - b) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
 - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **S.R. BATLIBOI & CO.**

Regn. No.: 301003E

Chartered Accountants

Per Raj Agrawal

Partner

Membership No.: 82028

Place: New Delhi

Date: May 1, 2010

Annexure to the Auditors' Report

(Referred to in our Report of even date to the members of Hindustan Motors Limited as at and for the year ended March 31, 2010)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of such verification in a phased manner to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In respect of fixed assets lying with third parties, the management has a process of obtaining periodic confirmations. As informed, no material discrepancies were noticed on such verification during the year.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. In respect of the material lying with third parties, the management has a process of periodic confirmation and reconciliation with the third parties.
- (c) The Company is maintaining proper records of inventory and no discrepancies were noticed on physical verification.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of Clauses 4 (iii)(a) to (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable.
- (e) The Company has taken loan from one company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 200 lacs and the year-end balance of loan taken from such party was Rs. 150 lacs.
- (f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loan are not prima facie prejudicial to the interest of the Company.
- (g) The loan taken is re-payable on demand. As informed, the lender has not demanded repayment of any such loan during the year and thus, there has been no default on the part of the Company. The payment of interest has been regular.
- (iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that most of the items purchased are of a special nature and alternate sources do not exist for obtaining quotations thereof, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under Section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.

HINDUSTAN MOTORS LIMITED

- (vi) As informed, the Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, service tax, cess, income-tax, wealth-tax, customs duty and other material statutory dues have generally been regularly deposited with the appropriate authorities *except for sales tax and excise duty where there have been delays.*

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

- (b) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs in lacs)	Period to which the amount relates	Forum where dispute is pending
The Central Excise Act, 1944	Disputes on account of: Classification, CENVAT Credit, Assessable value, Differential Excise Duty, Input Service Tax Credit etc.	2492.79	1984-2006	Assistant/Deputy/Additional Commissioner, Commissioner, Commissioner (Appeals) and Appellate Tribunal
The Central Sales Tax Act, 1956	Disallowance of Waiver on turnover availed on car sales due to non-achievement of Bench- Mark, Stock Transfer, Non-submission of C/D Forms, etc.	6431.44	1989-2007	Deputy/Additional Commissioner, Appellate Deputy Commissioner, Tribunal Benches and Supreme Court
Tamil Nadu Sales Tax Act, 1959	Disallowance of Waiver on turnover availed on car sales due to non-achievement of Bench- Mark, Additional Sales Tax, etc.	1168.00	1993-2003	Tribunal Bench and Supreme Court
West Bengal Sales Tax Act, 1994	Non-Receipt of Sales Tax Form, Interest, Penalty, Post Return Adjustment etc.	0.37	2003-2004	West Bengal Commercial Tax Appellate & Revision Board, Additional Commissioner
West Bengal Value Added Tax Act, 2003	Disallowance of VAT Credit	622.84	2006-2007	Additional Commissioner of Commercial Taxes
The Customs Act, 1956	Disputes on account of: Classification, Duty on inclusion of technical know-how fees on imported goods, import of Engines, Short Levy, etc.	17.75	1990-2006	Assistant/ Deputy Commissioner, Commissioner Appeals & Appellate Tribunal

- (x) *The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth. The Company has incurred cash losses in the current and the immediately preceding financial year.*
- (xi) *Based on our audit procedures and as per the information and explanations given by the management, the Company has overdrawn cash credit borrowings from banks during the year, the details whereof are as follows:*

<i>Period of Default</i>	<i>Amount (Rs. in lacs)</i>
<i>Less than 30 days</i>	<i>1408.10</i>
<i>30 to 90 days</i>	<i>1238.44</i>

The Company has not defaulted in repayment of dues to a financial institution and has no outstanding dues in respect of debentures.

- (xii) According to the information and explanations given to us and based on the documents and records produced 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.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of Order are not applicable.
- (xiv) 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 Order are not applicable.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) *According to the information and explanations given to us and on overall examination of the balance sheet of the Company, we report that the Company has used short term funds amounting to Rs. 8400 lacs approximately for financing the losses of the Company.*
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **S.R. BATLIBOI & CO.**

Regn. No.: 301003E

Chartered Accountants

Per Raj Agrawal

Partner

Membership No.: 82028

Place: New Delhi

Date: May 1, 2010

Balance Sheet as at March 31, 2010

		Rupees in lacs	
	Schedule	March 31, 2010	March 31, 2009
SOURCES OF FUNDS			
A. SHAREHOLDERS' FUNDS			
a. Share Capital	1	16125.68	16125.68
b. Reserves & Surplus	2	1118.70	1220.97
		<u>17244.38</u>	<u>17346.65</u>
B. LOANS	3		
a. Secured		3069.27	4043.18
b. Unsecured		5933.25	7324.47
		<u>9002.52</u>	<u>11367.65</u>
C. DEFERRED PAYMENT LIABILITIES	4	837.61	1225.47
D. DEFERRED TAX LIABILITY (Refer Note No. 6 on Schedule 22)		1779.37	--
		<u>28863.88</u>	<u>29939.77</u>
APPLICATION OF FUNDS			
A. FIXED ASSETS	5		
a. Gross Block		48014.30	48125.28
b. Less: Accumulated Depreciation		34127.16	32725.02
c. Net Block		13887.14	15400.26
d. Capital work-in-progress		426.76	371.62
		<u>14313.90</u>	<u>15771.88</u>
B. INVESTMENTS	6	6943.52	7016.63
C. CURRENT ASSETS, LOANS & ADVANCES			
a. Inventories	7	7195.60	7492.53
b. Sundry Debtors	8	1293.63	1603.52
c. Cash and Bank Balances	9	4041.78	761.51
d. Other Current Assets	10	36.56	46.91
e. Loans & Advances	11	4214.43	4664.98
		<u>16782.00</u>	<u>14569.45</u>
D. LESS: CURRENT LIABILITIES & PROVISIONS	12		
a. Current Liabilities		21762.06	15917.21
b. Provisions		641.00	921.28
		<u>22403.06</u>	<u>16838.49</u>
NET CURRENT ASSETS		<u>(5621.06)</u>	<u>(2269.04)</u>
E. MISCELLANEOUS EXPENDITURE	13	--	1302.80
F. PROFIT & LOSS ACCOUNT DEBIT BALANCE		13227.52	8117.50
		<u>28863.88</u>	<u>29939.77</u>
ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	22		

Schedules 1 to 13 and 22 referred to above form an integral part of the Balance Sheet

As per our report of even date.

S.R. Batliboi & Co.
Registration Number - 301003E
Chartered Accountants
Per **Raj Agrawal**
a Partner
Membership No.: 82028
Place: New Delhi
May 01, 2010

Yogesh Goenka
Chief Financial Officer &
Company Secretary

As Approved,
For and on behalf of the Board of Directors

C. K. Birla
Chairman

R. Santhanam
Managing Director

Profit & Loss Account for the Year ended March 31, 2010

		Rupees in lacs	
	Schedule	2009-2010	2008-2009
INCOME			
Sales & Services	14	73599.27	77070.07
Less: Excise Duty		12100.89	13868.07
Sales Tax & Value Added Tax		<u>4183.14</u>	<u>3426.02</u>
		57315.24	59775.98
Other Income	15	<u>6658.32</u>	<u>6465.21</u>
		<u>63973.56</u>	<u>66241.19</u>
EXPENDITURE			
Decrease in Stocks	16	70.46	774.11
Excise duty on Stocks (Refer Note No.11 on Schedule 22)		121.60	(120.77)
Raw Materials and Components Consumed	17	40923.28	39754.24
Purchase of Trading Goods		4808.71	6143.85
Stores & Spares Consumed		1327.07	1096.88
Fuel & Electricity (Net)		1486.48	1291.62
Payments to and Provisions for Employees	18	7139.14	7514.94
Other Expenses	19	8464.75	10656.51
Directors' Remuneration		91.09	82.15
		<u>64432.58</u>	<u>67193.53</u>
LOSS BEFORE INTEREST, DEPRECIATION & TAXATION			
		<u>459.02</u>	<u>952.34</u>
Interest	20	1103.76	1234.67
Depreciation	21	1763.59	2065.95
		<u>2867.35</u>	<u>3300.62</u>
LOSS BEFORE TAXATION			
		3326.37	4252.96
Provision for Taxation:			
Current Tax		14.19	5.00
Fringe Benefit Tax		—	65.16
Deferred Tax Charge		1779.37	—
Excess Tax Provision Written Back		(9.91)	(437.46)
		<u>1783.65</u>	<u>(367.30)</u>
LOSS AFTER TAXATION			
		5110.02	3885.66
Add: Loss Brought forward from Previous year		8117.50	4231.84
Loss: Carried to the Balance Sheet		<u>13227.52</u>	<u>8117.50</u>
Earning per share - Basic and Diluted (Rs.)		-3.17	-2.41
Nominal value per share (Rs.)		10.00	10.00
(Refer Note No.14 on Schedule 22)			

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 22

Schedules 14 to 22 referred to above form an integral part of the Profit & Loss Account

As per our report of even date.

S.R. Batliboi & Co.
 Registration Number - 301003E
Chartered Accountants
 Per **Raj Agrawal**
a Partner
 Membership No.: 82028
 Place: New Delhi
 May 01, 2010

Yogesh Goenka
Chief Financial Officer &
Company Secretary

As Approved,
 For and on behalf of the Board of Directors

C. K. Birla
Chairman

R. Santhanam
Managing Director

Cash Flow Statement for the year ended March 31, 2010

	Rupees in lacs	
	2009-2010	2008-2009
(A) CASH FLOW FROM OPERATING ACTIVITIES :		
NET (LOSS) BEFORE TAXATION	(3326.37)	(4252.96)
ADJUSTMENTS FOR :		
Depreciation	1763.59	2065.95
Deferred Revenue Expenditure	1302.80	795.16
Interest Income	(142.09)	(35.61)
Interest Expenses	1103.76	1234.67
Provision for Diminution in the value of Investment in an overseas subsidiary	—	163.09
Unrealised Foreign Exchange (Gain)/Loss (Net)	(65.54)	74.13
Profit on Fixed Assets Sold/Discarded	(5238.52)	(5701.45)
Dividend Income	(20.15)	(159.83)
Surplus on Sale of Investments	(647.38)	—
OPERATING (LOSS) BEFORE WORKING CAPITAL CHANGES	(5269.90)	(5816.85)
Increase/ (Decrease) in Trade Payables	5193.15	(2095.06)
Decrease in Trade & Other Receivables	570.56	2537.23
Decrease in Inventories	296.93	712.23
CASH USED IN OPERATIONS	790.74	(4662.45)
Add: Direct Tax (Paid) / Refund received (Net)	277.65	(123.33)
NET CASH FLOW FROM OPERATING ACTIVITIES	1068.39	(4785.78)
(B) CASH FLOW FROM INVESTING ACTIVITIES:		
Sale of Fixed Assets	5594.75	6146.47
Dividend Received	20.15	159.83
Proceeds from Sale of Investments	720.69	—
Interest Received from Fixed deposits	106.13	0.49
Purchase of Fixed Assets (Including Capital Advances)	(745.67)	(1580.71)
Investment in Fixed Deposits with Banks (Maturity period above 3 months)	(1167.00)	—
Investment in shares of a Company	(0.20)	—
NET CASH FLOW FROM INVESTING ACTIVITIES	4528.85	4726.08
(C) CASH FLOW FROM FINANCING ACTIVITIES		
Net Increase /(Decrease) from Short Term Borrowings	(819.25)	2230.50
Repayment of Long Term Loans	(1555.45)	(1596.57)
Interest Paid (Net of Interest Received)	(1109.27)	(1190.24)
NET CASH USED IN FINANCING ACTIVITIES	(3483.97)	(556.31)
NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C)	2113.27	(616.01)
CASH & CASH EQUIVALENTS - OPENING BALANCE	761.51	1377.52
CASH & CASH EQUIVALENTS - CLOSING BALANCE	2874.78	761.51
CASH & CASH EQUIVALENTS - BALANCE AS PER SCHEDULE -9	4041.78	761.51
Less : Fixed deposits with Banks having maturity period of more than 3 months	1167.00	—
CASH & CASH EQUIVALENTS - CLOSING BALANCE as represented above	2874.78 *	761.51

* Includes Rs. 1.95 lacs (Rs. 1.95 lacs) lying in Unpaid Dividend Account having restrictive use and Rs.2417.26 lacs (Rs.99.54 lacs) in Fixed Deposits with Banks.

As per our report of even date.

S.R. Batliboi & Co.
Registration Number - 301003E
Chartered Accountants
Per **Raj Agrawal**
a Partner
Membership No.: 82028
Place: New Delhi
May 01, 2010

Yogesh Goenka
Chief Financial Officer &
Company Secretary

As Approved,
For and on behalf of the Board of Directors

C. K. Birla
Chairman

R. Santhanam
Managing Director

Schedules to the Balance Sheet

	Rupees in lacs	
	March 31, 2010	March 31, 2009
SCHEDULE 1 : SHARE CAPITAL		
Authorised :		
16,50,00,000 (16,50,00,000) Equity Shares of Rs.10 each	16500.00	16500.00
55,00,000 (55,00,000) Unclassified Shares of Rs.100 each	5500.00	5500.00
	<u>22000.00</u>	<u>22000.00</u>
Issued :		
16,15,89,297 (16,15,89,297) Equity Shares of Rs.10 each	16158.93	16158.93
Subscribed & Paid-up :		
16,11,71,993 (16,11,71,993) Equity Shares of Rs.10 each fully paid up	16117.20	16117.20
Add: Forfeited Shares (Amount originally paid up)	8.48	8.48
	<u>16125.68</u>	<u>16125.68</u>
Note :		
Issued and Subscribed & Paid-up Capital includes 1,53,59,409 Equity shares issued and allotted as fully paid up Bonus shares by capitalisation of Capital Redemption Reserve & General Reserve and 5,34,22,010 Equity Shares issued and allotted as fully paid-up upon conversion of Fully Convertible Debentures.		
SCHEDULE 2 : RESERVES & SURPLUS		
CAPITAL RESERVE		
a) Net Surplus on Revaluation of Fixed Assets:		
As per last account	885.16	987.55
Less : Adjustment towards assets sold	101.20	101.32
Less : Transfer to Depreciation Account	1.07	1.07
	<u>782.89</u>	<u>885.16</u>
b) Others :		
As per last account	3.53	3.53
	<u>786.42</u>	<u>888.69</u>
SECURITIES PREMIUM		
As per last account	317.28	317.28
CENTRAL SUBSIDY		
As per last account	15.00	15.00
	<u>1118.70</u>	<u>1220.97</u>
SCHEDULE 3 : LOANS		
SECURED : (Note No.4 on Schedule 22)		
From Financial Institutions :		
Term Loans	369.03	1634.46
From Scheduled Banks :		
Term Loans	2389.63	1679.65
Cash Credits	301.01	729.04
Interest accrued and due	9.60	0.03
	<u>3069.27</u>	<u>4043.18</u>
UNSECURED :		
LONG TERM		
Sales Tax Deferral Credit	4178.98*	4178.98
SHORT TERM		
From Scheduled Banks :		
Foreign Currency Loans	—	1170.23
From Subsidiary Companies	210.00	210.00
From Other Bodies Corporate	1288.33	1580.00
Security & Other Deposits	255.94	185.26
	<u>1754.27</u>	<u>3145.49</u>
	<u>5933.25</u>	<u>7324.47</u>
	<u>9002.52</u>	<u>11367.65</u>
* Includes Rs.1070.83 lacs (Rs.Nil) due for payment within one year.		
SCHEDULE 4 : DEFERRED PAYMENT LIABILITIES		
Voluntary Retirement Schemes	837.61*	1225.47
* Includes Rs.318.86 lacs (Rs.458.41 lacs) due for payment within one year.		

HINDUSTAN MOTORS LIMITED

Schedule to the Balance Sheet

SCHEDULE 5 : FIXED ASSETS

Rupees in lacs

DESCRIPTION OF ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at March 31, 2009	Additions	Sales / Adjustments	As at March. 31, 2010	Upto March 31, 2009	For the year	Less: On Sales/ Adjustments	Upto March, 31, 2010	As at March, 31, 2010	As at March 31, 2009
TANGIBLE ASSETS										
FREE HOLD LAND	1017.95	-	315.07	702.88	-	-	-	-	702.88	1017.95
LEASE HOLD LAND	35.83	-	-	35.83	8.06	0.37	-	8.43	27.40	27.77
BUILDINGS	9317.12	61.38	-	9378.50 (a)	4827.15	215.67	-	5042.82	4335.68	4489.97
MACHINERY & EQUIPMENTS	35699.19	172.31	284.69	35586.81	26937.28	1320.30	249.81	28007.77	7579.04	8761.91
FURNITURE & FITTINGS	686.21	24.33	26.83	683.71	508.82	22.37	15.04	516.15	167.56	177.39
VEHICLES	677.95	380.14	193.34	864.75	299.49	100.44	97.67	302.26	562.49	378.46
	47434.25	638.16	819.93	47252.48	32580.80	1659.15	362.52	33877.43	13375.05	14853.45
INTANGIBLE ASSETS										
SOFTWARE	45.95		-	45.95	5.87	8.41	-	14.28	31.67	40.08
TECHNICAL KNOW-HOW	645.08	70.79	-	715.87	138.35	97.10	-	235.45	480.42	506.73
	691.03	70.79	-	761.82	144.22	105.51	-	249.73	512.09	546.81
CAPITAL WORK IN PROGRESS	48125.28	708.95 (b)	819.93	48014.30	32725.02	1764.66	362.52	34127.16	13887.14	15400.26
	371.62	101.20	46.06	426.76 (d)	-	-	-	-	426.76	371.62
TOTAL	48496.90	810.15	865.99 (c)	48441.06 (e)	32725.02	1764.66	362.52	34127.16	14313.90	15771.88
PREVIOUS YEAR'S TOTAL	49160.46	1702.05	2365.61	48496.90	32178.05	2067.02	1520.05	32725.02	15771.88	16982.41

NOTES :

- Includes Rs. 4.50 Lacs (Rs. 4.50 Lacs) being the value of shares in Co-operative Housing Societies.
- Includes Capital Expenditure on Scientific Research Rs.0.64 Lacs (Rs. 17.44 Lacs).
- Includes Rs.NIL (Rs. 745.32 Lacs) being the value of assets discarded
- Includes Materials at site, in transit and Assets not brought into use.
- Includes proportionate cost of a part of Building (on leasehold land) and Other Assets amounting to Rs. 79.57 Lacs (Rs. 79.57 Lacs) held in Joint Ownership basis with others at Kolkata.
- Land & Buildings of Uttarpara Unit were revalued during the year ended 31.03.84 and the resulting Surplus thereon, was transferred to Revaluation Reserve.

Schedule to the Balance Sheet

SCHEDULE 6 : INVESTMENTS (At Cost)	Number of Shares	Face Value Per Share Rs.	Rupees in lacs	
			March 31, 2010	March 31, 2009
LONG TERM (OTHER THAN TRADE)(FULLY PAID)				
* GOVERNMENT SECURITIES (UNQUOTED) :				
12 Year National Planning Certificates			0.02	0.02
12 Year National Defence Certificates			0.02	0.02
National Savings Certificates			0.06	0.06
			<u>0.10</u>	<u>0.10</u>
QUOTED				
ORDINARY SHARES				
Hyderabad Industries Ltd.	— (122188)		—	73.31
UNQUOTED				
ORDINARY SHARES				
Birla Buildings Ltd.	30000 (30000)	10	3.00	3.00
AVTEC Ltd. (a company under the same management) **	12250000 (12250000)	10	6909.96	6909.96
Pithampur Auto Cluster Ltd.	50000 (50000)	10	5.00	5.00
Bengal Shriram Hitech City Private Ltd.	2000 (-)	10	0.20	—
			<u>6918.16</u>	<u>6917.96</u>
			<u>6918.16</u>	<u>6991.27</u>
UNQUOTED SHARES IN SUBSIDIARY COMPANIES :				
ORDINARY SHARES				
Hindustan Motor Finance Corporation Ltd.	250000 (250000)	10	25.05	25.05
HM Export Ltd.	50000 (50000)	10	0.21	0.21
Hindustan Motors Ltd. (Incorporated in state of Delaware, USA)	100000 (100000)	\$ 4	163.09	163.09
			<u>188.35</u>	<u>188.35</u>
			<u>7106.61</u>	<u>7179.72</u>
Less: Diminution in the value of Investment in an overseas subsidiary company			<u>163.09</u>	<u>163.09</u>
			<u>6943.52</u>	<u>7016.63</u>
AGGREGATE VALUE OF INVESTMENTS :				
			<u>Cost</u>	<u>Cost</u>
Quoted			—	73.31
Unquoted			<u>6943.52</u>	<u>6943.32</u>
			<u>6943.52</u>	<u>7016.63</u>
				<u>Market Value</u>
				140.58

* Includes securities worth Rs.0.06 lacs (matured but pending encashment) lodged with Government Departments.

** Being an associate of the Company.

Schedules to the Balance Sheet

	Rupees in lacs	
	March 31, 2010	March 31, 2009
SCHEDULE 7 : INVENTORIES		
At lower of cost and net realisable value		
Stores & Spares	138.57	144.06
Loose Tools	139.55	142.01
Raw Materials and Components	4145.76	4364.28
Goods under process	877.83	1301.37
Finished Goods	711.16	471.88
Trading Goods	1182.73	1068.93
	7195.60 *	7492.53

* Includes materials lying with third parties / in Bond and in transit Rs.1731.71 lacs (Rs.2761.99 lacs)

SCHEDULE 8 : SUNDRY DEBTORS

Considered good except otherwise stated :

(a) Debts outstanding for a period exceeding six months :		
Secured	3.99	20.50
Unsecured	212.60 *	249.21
	216.59	269.71
(b) Other Debts :		
Secured	34.42	44.04
Unsecured	1194.43	1434.04
	1228.85	1478.08
	1445.44 **	1747.79
Less: Provision for doubtful debts	151.81	144.27
	1293.63	1603.52

* Includes considered doubtful Rs.151.81 lacs (Rs.144.27 lacs)

** Includes due from subsidiary companies Rs.225.83 lacs (Rs.7.63 lacs).

SCHEDULE 9 : CASH & BANK BALANCES

Cash-on-hand	6.47	4.51
Remittances in transit	262.74	504.18
With Scheduled Banks on :		
Fixed Deposit Account	3583.12	19.81
Current Account	186.35	151.33
Margin Deposit Account	1.15	79.73
Unpaid Dividend	1.95 *	1.95
	4041.78	761.51

* Amount not deposited as the cases are sub-judice.

SCHEDULE 10 : OTHER CURRENT ASSETS

Unsecured :

Considered good except otherwise stated :

Interest accrued on Deposits	35.25	1.86
Export Incentives receivable	7.29	8.66
Insurance & Other Claims receivable	415.84	458.30
	458.38 *	468.82
Less: Provision for doubtful claims	421.82	421.91
	36.56	46.91

* Includes Considered doubtful Rs.421.82 lacs (Rs.421.91 lacs).

Schedules to the Balance Sheet

	Rupees in lacs	
	March 31, 2010	March 31, 2009
SCHEDULE 11 : LOANS & ADVANCES		
Unsecured :		
Considered good except otherwise stated :		
Advances against Capital Contracts	162.46	184.23
Other Advances Recoverable in cash or in kind or for value to be received or pending adjustments	1187.32 ***	1487.06
Loans / Advances to Officers*	—	0.33
Balance with Customs, Port Trust & Other Government Departments	346.07	231.26
Sales Tax, VAT and other Refunds receivable (including payments under appeal)	2261.58	2258.37
Advance Payment of Income Tax & Refunds receivable (Net of Provision)	—	277.37
Deposits with Government Departments & Others	663.14	633.79
	<u>4620.57 **</u>	<u>5072.41</u>
Less : Provision for doubtful advances	406.14	407.43
	<u>4214.43</u>	<u>4664.98</u>
* Maximum amount due from officers at any time during the year Rs.1.16 lacs (Rs.1.25 lacs)		
** Includes considered doubtful Rs.298.49 lacs (Rs.299.78 lacs) and Rs.107.65 lacs (Rs.107.65 lacs) for an overseas subsidiary company.		
*** Includes due from a subsidiary company Rs. 107.65 lacs (Rs.107.65 lacs).		
SCHEDULE 12 : CURRENT LIABILITIES & PROVISIONS		
A. CURRENT LIABILITIES		
Acceptances	5791.87	4165.92
Sundry Creditors for goods, services, expenses etc.		
Due to Micro & Small Enterprises (Refer Note No.16 on Schedule 22)	1594.46	1224.84
Due to Others	7873.03 *	7513.25
Advances against Sales/Orders	5132.18	1461.47
Investor Education and Protection Fund		
Unpaid Dividend	1.95 **	1.95
Other Liabilities	1350.82	1514.39
Interest accrued but not due:		
On Secured Loans	6.81	14.14
On Unsecured Loans	10.94	21.25
	<u>21762.06</u>	<u>15917.21</u>
* Includes Rs.938.94 lacs (Rs.1695.48 lacs) due to AVTEC Limited (a company under same management), and due to a subsidiary company Rs.13.90 lacs (Rs.13.90 lacs).		
** Amount not deposited as the cases are sub-judice.		
B. PROVISIONS		
Warranties	250.27	219.49
Gratuity	97.65	448.38
Leave Liability	288.52	253.41
Taxation (Net of advance payment, tax at source etc.)	4.56	—
	<u>641.00</u>	<u>921.28</u>
	<u>22403.06</u>	<u>16838.49</u>
SCHEDULE 13 : MISCELLANEOUS EXPENDITURE		
(To the extent not written off / adjusted)		
DEFERRED REVENUE EXPENDITURE :		
Voluntary Retirement Schemes	—	1302.80
	—	1302.80

Schedules to the Profit & Loss Account

	Rupees in lacs	
	2009-2010	2008-2009
SCHEDULE 14 : SALES & SERVICES		
Finished Goods	65496.51	66687.66
Trading Goods		
Vehicles	1921.90	4277.26
Service Parts (including own manufactured)	5825.21	5750.99
Others	355.65	354.16
	<u>73599.27</u> *	<u>77070.07</u>
* Includes Rs.4580.10 lacs (Rs.24.44 lacs) to subsidiary companies.		
SCHEDULE 15 : OTHER INCOME		
Dividend on Long Term Investments (Non Trade)	20.15	159.83
Interest on Debts, Deposits, Advances etc. [Tax at source Rs.0.53 lacs (Rs. Nil)]	142.09 *	35.61
Insurance & Other Claims	46.67	12.22
Rent & Hire Charges	26.17 **	27.37
Miscellaneous Income	216.72	143.46
Unspent Liabilities and Provisions no longer required written back	320.62	385.27
Surplus on sale of Investments	647.38	—
Net surplus on Fixed Assets sold/discarded (Refer Note No.12 on Schedule 22)	5238.52	5701.45
	<u>6658.32</u>	<u>6465.21</u>
* Includes Rs.20.20 lacs (Rs. Nil) from a subsidiary company.		
** Includes Rs.2.75 lacs (Rs.Nil) from a subsidiary company.		
SCHEDULE 16 : DECREASE IN STOCKS		
Closing Stock :		
Goods under Process	877.83	1301.37
Finished Goods	711.16	471.88
Trading Goods	1182.73	1068.93
	<u>2771.72</u>	<u>2842.18</u>
Less : Opening Stock :		
Goods under Process	1301.37	1414.76
Finished Goods	471.88	721.84
Trading Goods	1068.93	1479.69
	<u>2842.18</u>	<u>3616.29</u>
	<u>70.46</u>	<u>774.11</u>
SCHEDULE 17 : RAW MATERIALS AND COMPONENTS CONSUMED		
Opening Stock	4364.28	4272.35
Add : Purchases	40751.40 *	39885.70
	<u>45115.68</u>	<u>44158.05</u>
Less : Transferred to Fixed Assets & Other Accounts		
Sales	6.85	4.59
Closing Stock	39.79	34.94
	<u>4145.76</u>	<u>4364.28</u>
	<u>4192.40</u>	<u>4403.81</u>
	<u>40923.28</u>	<u>39754.24</u>
* Includes Rs.0.90 lacs (Rs.Nil) from a subsidiary company.		

Schedules to the Profit & Loss Account

	Rupees in lacs	
	2009-2010	2008-2009
SCHEDULE 18 : PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages & Bonus	6065.00	6127.62
Contribution to Provident, Gratuity & Other Funds	668.13	986.32
Welfare Expenses	406.01	401.00
	<u>7139.14</u>	<u>7514.94</u>
SCHEDULE 19 : OTHER EXPENSES		
Rent & Hire Charges	249.88	210.81
Building Repairs	127.01	135.69
Machinery Repairs	266.20	308.47
Insurance	110.42	119.01
Rates & Taxes	221.26	221.35
Royalty	83.11	184.06
Selling Expenses, Advertisement, Claims (Net)	2436.19 *	3506.13
Delivery Charges, Freight & Transportation	681.73	770.51
Miscellaneous Expenses	2741.24	2685.80
Exchange Rate Difference (Net)	114.61	874.80
Directors' Travelling	22.11	39.04
Auditors' Remuneration :		
Audit fee	22.00	22.00
Tax audit fee	7.50	7.50
Limited review	13.20	13.20
Other services	11.35	9.39
Out of pocket expenses	3.66	2.88
Cost Auditor's Remuneration	3.50	1.75
Deferred Revenue Expenditure written off	1302.80	795.16
Provision for Doubtful Debts, Claims & Advances	100.02	595.83
Less : Written Back	<u>54.09</u>	<u>18.59</u>
Provision for Diminution in the value of Investment in an overseas subsidiary	--	163.09
Irrecoverable Debts, Claims & Advances written off	40.82	28.12
Less : Adjusted against Provision	<u>39.77</u>	<u>19.49</u>
	<u>8464.75</u>	<u>10656.51</u>
* Includes Rs.4.59 lacs (Rs. Nil) to a subsidiary company.		
SCHEDULE 20 : INTEREST		
On Fixed Loans	277.47 *	529.52
To Banks & Others	826.29	705.15
	<u>1103.76</u>	<u>1234.67</u>
* Includes Rs.23.10 lacs (Rs.19.45 lacs) to subsidiary companies.		
SCHEDULE 21 : DEPRECIATION		
On Fixed Assets	1764.66	2067.02
Less: Transfer from Capital Reserve being additional Depreciation on revalued Fixed Assets	1.07	1.07
	<u>1763.59</u>	<u>2065.95</u>

Schedule to the Balance Sheet and Profit & Loss Account

SCHEDULE 22 : ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

Nature of Operation :

Hindustan Motors Limited having its manufacturing facilities at Uttarpara, Tiruvallur and Pithampur, is primarily engaged in the manufacture & sale of Motor Vehicles, Spare Parts & accessories thereof and Components, Steel Products etc. The Company is also engaged in Engineering Services, Trading of Motor vehicles, Spare parts and Components.

1. ACCOUNTING POLICIES :

(I) Basis of Preparation :

The financial statements have been prepared to comply in all material aspects with the Notified Accounting Standards by Companies Accounting Standards Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. Except otherwise mentioned, the accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

(II) Revenue Recognition :

- (a) Revenue from sale of goods and services rendered is recognised upon passage of title and rendering of services to the customers.
- (b) Insurance and other claims, to the extent considered recoverable, are accounted for in the year of claim. However, claims and refunds whose recovery cannot be ascertained with reasonable certainty, are accounted for on acceptance basis.
- (c) Interest is recognized on a time proportion basis taking into account the amount outstanding and rate applicable.
- (d) Dividends are recognized when the shareholders' right to receive payment is established by the balance sheet date. Dividend from subsidiaries are recognized even if same are declared after the balance sheet date but pertain to the period on or before the date of balance sheet as per the requirement of Schedule VI of the Companies Act, 1956.

(III) Fixed Assets :

- (a) Fixed Assets are stated at cost of acquisition inclusive of duties (net of Cenvat and VAT), taxes, incidental expenses, erection / commissioning expenses and technical know-how fees etc. upto the date the asset is put to use, less accumulated depreciation and impairment losses, if any. In case of revaluation of fixed assets, the original cost as written up by the valuer is considered in the accounts and the differential amount is transferred to capital reserve.
- (b) Machinery spares which can be used only in connection with an item of fixed asset and whose use as per technical assessment is expected to be irregular, are capitalised and depreciated over the residual useful lives of the respective assets.
- (c) The carrying amounts of assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on external / internal factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount which represents the greater of the net selling price and 'Value in use' of the respective assets. The estimated future cash flows considered for determining the value in use are discounted to their present value at the weighted average cost of capital.
- (d) Assets awaiting disposal are valued at lower of written down value and net realisable value and disclosed separately.

(IV) Foreign Currency Transactions :

(a) Initial Recognition :

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Schedule to the Balance Sheet and Profit & Loss Account

(b) **Conversion :**

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(c) **Exchange Differences :**

Exchange differences arising on the settlement / conversion of monetary items are recognised as income or expenses in the year in which they arise.

(d) **Forward Exchange contracts not intended for trading or speculation purpose :**

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of respective contracts. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

(V) **Depreciation :**

(a) Depreciation on Fixed Assets is provided on Straight Line Method at the rates arrived at on the basis of their useful lives, which are equivalent to the rates specified in Schedule XIV of the Companies Act, 1956.

(b) The classification of Plant and Machinery into continuous and non-continuous process is done as per technical certification and depreciation thereon is provided accordingly.

(c) Technical Know-how fees included under the head "Intangible Assets" are amortised over the period of respective agreements / over the useful life of 10 years, whichever is lower. Other Intangible Assets are amortised over a period of three to five years.

(d) Depreciation includes the amount amortised in respect of leasehold land over the respective lease period.

(e) Depreciation on revalued assets is provided at the rates specified under Section 205(2)(b) of the Companies Act, 1956 or estimated useful life, whichever is higher.

(f) Depreciation on fixed assets added / disposed off during the year, is provided on pro-rata basis with reference to the month of addition / disposal.

(g) In case of impairment, if any, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

(VI) **Fixed Assets acquired under leases :**

(a) **Finance Lease :**

Assets acquired under lease agreements which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to Expenses account.

Leased assets capitalised are depreciated over the shorter of the estimated useful life of the asset or the lease term.

(b) **Operating Lease :**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight line basis over the lease term.

Schedule to the Balance Sheet and Profit & Loss Account

(VII) Intangibles :

Technical know-how fees / acquired Computer software and licenses are capitalised on the basis of costs incurred to bring the specific intangibles to its intended use.

(VIII) Investments :

- (a) Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments.
- (b) Current Investments are stated at lower of cost or market rate on individual investment basis. Long Term Investments are considered "at cost", unless there is other than temporary decline in value thereof, in which case, adequate provision is made against such diminution in the value of investments.
- (c) Investments in foreign companies are considered at the exchange rates prevailing on the date of their acquisition.

(IX) Inventories :

- (a) Inventories are valued at lower of cost, computed on annual weighted / moving average basis, and net realisable value.
- (b) The closing stock of materials inter-transferred from one unit to another is valued at cost of the transferor unit or net realisable value whichever is lower.
- (c) Net realisable value is the selling price in the ordinary course of business, less costs of completion and costs necessary to make the sale.
- (d) Cost of finished goods and work in progress include direct materials, labour and an appropriate proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.

(X) Excise Duty & Customs Duty :

Excise Duty on Finished Goods stock lying at the factories is accounted for at the point of manufacture of goods and is accordingly considered for valuation of finished goods stock lying in the factories as on the Balance Sheet date. Similarly, Customs Duty on Imported Materials in transit / lying in Bonded Warehouse is accounted for at the time of import / bonding of materials.

(XI) Cash & Cash Equivalents :

Cash and Cash equivalents in the cash flow statement comprise Cash at bank and in hand and short term investments with an original maturity of three months or less.

(XII) Derivative Instruments :

As per ICAI announcement, derivative contracts, other than those covered under AS - 11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effects on the underlying hedge item, is charged to the income statement. Net gains are ignored.

(XIII) Research Cost :

Research costs of revenue nature are charged to Profit & Loss Account, while capital expenditure are added to the cost of fixed assets in the year in which these are incurred.

(XIV) Retirement & other employee benefits :

(a) Defined Contribution plans :

Company's contributions to Provident Fund and Superannuation Schemes are charged to Profit & Loss Account of the year when the contributions to the respective funds are due. The Company has no obligations other than the contributions payable to the respective trusts.

(b) Defined Benefit plans :

Gratuity liability and compensated leave liability are provided for based on actuarial valuation made at the end of each financial year. The actuarial valuation is done on Projected Unit Credit method. Actuarial gains and losses are recognised immediately in the statement of Profit & Loss Account as income or expense.

Schedule to the Balance Sheet and Profit & Loss Account

- (c) In respect of the Voluntary Retirement Scheme (VRS), net present value of the future liabilities is treated as deferred revenue expense and is written off in such equal installments that expenditure so deferred, is not carried forward to accounting periods commencing on or after 1st April, 2010. The increase in the net present value of the future liabilities payable to employees, who have opted for retirement under the VRS of the Company is charged to the Profit & Loss Account.

(XV) Borrowing Costs :

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

(XVI) Provisions :

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

Provisions made in terms of Accounting Standard 29 are not discounted to its present value and are determined based on the management estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

(XVII) Taxation :

- (a) Tax expenses comprise of current & deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred Income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.
- (b) The deferred tax is accounted for using the tax rates and laws that have been substantively enacted as of the Balance Sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carry forward unabsorbed depreciation and tax losses, deferred tax assets are recognised only to the extent there is virtual certainty supported by convincing evidence that sufficient taxable income will be available against which such deferred tax assets can be realised.
- (c) At each balance sheet date, the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.
- (d) Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Profit & Loss Account and shown as MAT Credit entitlement. The Company reviews the MAT credit at each Balance Sheet date and writes down the carrying amount to the extent there is no longer convincing evidence to the effect that the Company will pay normal income tax during the specified period.

(XVIII) Segment Reporting :

(a) Identification of Segments :

The Company has identified that its operating segments are the primary segments. The Company's operating businesses are organised and managed separately according to the nature of products, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which the customers of the Company are located.

Schedule to the Balance Sheet and Profit & Loss Account

(b) **Allocation of Common Costs :**

Common allocable costs are allocated to each segment on case to case basis applying the ratio appropriate to each relevant case. Revenue and expenses which relate to the enterprise as a whole and are not allocable to segment on a reasonable basis, have been included under the head "Unallocated - Common".

The accounting policies adopted for segment reporting are in line with those of the Company.

(XIX) **Product related Warranty Claims :**

Provision for product related warranty 'costs' is based on the claims received upto the year end as well as the management estimates of further liability to be incurred in this regard during the warranty period, computed on the basis of past trend of such claims.

(XX) **Contingencies :**

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed by way of Notes to the Accounts.

(XXI) **Earnings per share :**

Earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders, by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

(XXII) **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year-end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

		Rupees in lacs	
		<u>March 31, 2010</u>	<u>March 31, 2009</u>
2.	Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances).	277.53	133.18
3.	Contingent Liabilities not provided for in respect of :		
(a)	Claims & Government demands against the Company not acknowledged as debts.		
	i) Excise Duty	5987.69	4619.53
	ii) Sales Tax	10408.09	9311.94
	iii) Customs Duty	362.87	409.69
	iv) Others	1187.76	985.82
	The Company does not expect any major impact to arise out of the above claims / demands.		
	Against the above claims / demands, payments have been made under protest and / or debts have been withheld by the respective parties, to the extent of Rs.2531.80 lacs (Rs. 2565.31 lacs).		
	Included in the above are contingent liabilities to the extent of Rs.1571.17 lacs (Rs. 1604.07 lacs) relating to the pre transfer period of the erstwhile Power Unit Plant and Power Products Division of the Company, which were transferred to AVTEC Limited in June 2005. However, demands to the extent of Rs.1171.54 lacs (Rs.1171.54 lacs) are covered by counter guarantees by the customers.		
(b)	Outstanding Bank Guarantees for import of materials and other accounts.	598.52	182.53

Schedule to the Balance Sheet and Profit & Loss Account

- (c) Duty on import of Capital goods under Export Promotion Capital Goods Scheme is Rs.18.96 lacs (Rs.16.48 lacs).
- (d) Bonus for the years 1963-64 to 1967-68 at Hindmotor unit which is under adjudication (amount indeterminate). The Company contends that no liability exists in this regard under the Payment of Bonus Act, 1965.
- (e) Demands for incremental Dearness Allowance during the years 2001 to 2007 at Hindmotor Unit which are under adjudication (amount not ascertained). However, majority of the employees unions have filed joint petition for withdrawal of the case.
4. (a) Term Loans Rs.1758.66 lacs (Rs. 3314.11 lacs) from the Financial Institutions and Banks together with interest and other charges thereon, are secured by a mortgage of a part of the Company's land with other immovable assets thereon, both present and future, and by way of a hypothecation charge over all the movable assets including book debts of the Company.
- (b) Cash Credit facilities from Banks Rs.301.05 lacs (Rs.729.07 lacs), together with interest and other charges thereon, are secured by a mortgage of a part of the Company's land together with other immovable assets thereon, both present and future and by way of a hypothecation charge over all the movable assets including book debts of the Company.
- (c) Short Term Loan Rs.1009.56 lacs (Rs.Nil) from a Bank together with interest thereon, is secured by way of a hypothecation charge over all the movable assets including book debts of the Company.
- (d) The Charges referred to in (a), (b) and (c) above rank pari passu amongst various Financial Institutions and Banks.
5. The Company's agreement with workmen of Hindmotor unit has expired on 31st March, 2003. The Company's liability, if any, towards additional salaries / wages, being presently unascertainable, would be accounted for after finalisation of the said agreement.
6. The break-up of net deferred tax liability as on 31st March 2010 is as under :

		Rupees in lacs	
		<u>2009-2010</u>	<u>2008-2009</u>
A.	Deferred tax liability :		
	Timing difference in depreciable assets	3481.81	—
B.	Deferred tax assets :		
	Expenses allowable against taxable income in future years	<u>1702.44</u>	<u>—</u>
	Net Deferred tax liability (A – B)	<u>1779.37</u>	<u>—</u>

In terms of accounting policy disclosed vide Note No.1 (XVII) above, Deferred tax assets of Rs.3188.82 lacs (Net Rs.981.53 lacs) arising on account of carried forward unabsorbed business losses and depreciation have not been recognised in the accounts.

7. Total Derivative contracts in respect of cross currency forward covers of JP¥ 6400 lacs (JP¥ 1680 lacs) are outstanding at the balance sheet date.

The Company has the following unhedged exposures in various foreign currencies as at the year end :

		Rupees in lacs	
Sr.No.	Particulars	<u>As at March 31, 2010</u>	<u>As at March 31, 2009</u>
(i)	Acceptances & Sundry Creditors for expenses	12.54	1038.15
(ii)	Advance against supplies	226.19	376.51
(iii)	Foreign Currency Loans	—	1170.23

8. Finance Lease agreement for assets valuing Rs.45.11 Lacs has already expired. However these assets are yet to be transferred to the Company by the lessor pending compliance of necessary formalities.
9. Consumption of Raw materials, stores and spare parts includes profit / loss on sale thereof.

Schedule to the Balance Sheet and Profit & Loss Account

10. In certain cases, excise duty on items transferred from one division to another for captive use has been accounted for based on actual payments at provisional rates. Additional liability, if any, in this regard will be accounted for on determination of the final rates, but it will have no impact on the Company's profitability, since the same will be claimable as Cenvat benefit by the transferee unit.
11. Excise duty on stocks represents differential excise duty on opening and closing inventories.
12. In terms of a Development Agreement entered by the Company, the Company has duly transferred the balance land measuring 62.791 acres (62.80 acres) at Hindmotor by handing over physical possession thereof against payment to the developer, and profit of Rs 5136.58 lacs (Rs. 5631.75 lacs) thereon has been included under the head "Other Income" in Schedule 15.

The Company has given a non-compete undertaking to the developer for a period of five years from the date of agreement or three years from the date of the completion of the development of the property, whichever is earlier, for which it would receive non-compete fee @ 4 % of the sale proceeds of the developed property as and when sold by the developer.

		Rupees in lacs	
		<u>2009-2010</u>	<u>2008-2009</u>
13.	(a) <u>Managing Director's Remuneration</u>		
	Salary, Allowance etc.	69.55	55.24
	Contribution to Provident and other Funds	9.72	8.75
	Others	<u>5.72</u>	<u>10.56</u>
		84.99	74.55
	(b) Directors' Fees	<u>6.10</u>	<u>7.60</u>
		<u>91.09</u>	<u>82.15</u>

In view of carried forward loss under the provisions of Section 349 of the Companies Act, 1956, the detailed computation of profit for the purpose of Managerial Remuneration has not been furnished.

14. Earnings per Share (EPS)

In terms of Accounting Standard 20, the calculation of EPS is given below :-

	<u>2009-2010</u>	<u>2008-2009</u>
Loss after taxation as per accounts (Rupees in lacs)	5110.02	3885.66
Weighted average No. of Equity Shares outstanding during the year	161171993	161171993
Nominal value of Shares (Rs.)	10	10
Basic and Diluted EPS (Rs.)	-3.17	-2.41

15. The movement in Provisions for Warranties during the year is as follows :

Rupees in lacs				
As at March 31st, 2009	Additions	Amount utilised	Amount written back	As at March 31st, 2010
219.49	185.77	142.31	12.68	250.27
(234.09)	(172.68)	(160.04)	(27.24)	(219.49)

Schedule to the Balance Sheet and Profit & Loss Account

16. Based on the information / documents available with the Company, information as per the requirement of Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 are as under :

	Rupees in lacs	
	<u>2009-2010</u>	<u>2008-2009</u>
(i) Principal amount remaining unpaid to any supplier at the end of accounting year	1269.91	918.72
(ii) Interest due on above	33.38	45.31
Total of (i) & (ii)	1303.29	964.03
(iii) Amount of interest paid by the Company to the suppliers	118.47	26.17
(iv) Amounts paid to the suppliers beyond the respective due date	2480.18	1976.63
(v) Amount of interest due and payable for the period of delay in payments but without adding the interest specified under the Act	—	—
(vi) Amount of interest accrued and remaining unpaid at the end of accounting year	324.55	306.12
(vii) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23 of this Act	—	—

17. Disclosure under Accounting Standard-15 (Revised) on 'Employee Benefits'

	Rupees in lacs	
	<u>2009-2010</u>	<u>2008-2009</u>
A. Defined Contribution Plan		
Contribution to Provident Fund	437.98	468.86
Contribution to Superannuation Fund	42.40	50.45

B. Defined Benefit Plan

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets Gratuity on terms not lower than the amount payable under the Payment of Gratuity Act, 1972. The aforesaid scheme is funded with an Insurance Company. The following table summarises the components of net benefit expenses recognised in profit & loss account and the funded status and amount recognised in the balance sheet for the respective plan.

	Rupees in lacs	
Sl. No. Particulars	<u>2009-2010</u>	<u>2008-2009</u>
Gratuity		
I. <u>Net Employee Expense / (benefit)</u>		
1. Current Service Cost	105.87	96.72
2. Interest cost on benefit obligation	124.75	145.97
3. Expected Return on plan assets	(92.97)	(100.58)
4. Net Actuarial gain/(loss) recognised in the year	(32.54)	(301.29)
5. Total employee expenses recognised in Profit & Loss Account	170.19	443.40
II. Actual return on plan assets	117.19	112.95
III. <u>Benefit Asset/(Liability)</u>		
1. Defined benefit obligation	1795.72	1610.58
2. Fair Value of Plan Assets	1698.07	1162.20
3. Benefit Asset/(Liability)	(97.65)	(448.38)

Schedule to the Balance Sheet and Profit & Loss Account

	Rupees in lacs			
	<u>2009-2010</u>	<u>2008-2009</u>		
IV. <u>Movement in benefit liability</u>				
1. Opening defined benefit obligation	1610.58	2838.39		
2. Interest cost	124.75	145.97		
3. Current Service Cost	105.87	96.72		
4. Benefits paid	(102.25)	(1784.15)		
5. Actuarial (gains) / losses on obligation	56.77	313.65		
6. Closing benefit obligation	1795.72	1610.58		
V. <u>Movement in fair value of plan assets</u>				
1. Opening fair value of plan assets	1162.20	1257.35		
2. Return on plan assets (actual)	117.19	112.95		
3. Contribution by employer	520.93	1576.05		
4. Benefits paid	(102.25)	(1784.15)		
5. Closing fair value of plan assets	1698.07	1162.20		
VI. <u>The Principal actuarial assumptions are as follows</u>				
1. Discount Rate	7.50%	7.50%		
2. Salary increase	4.00%	4.00%		
3. Withdrawal Rate	Varying between 2% & 1% per annum depending upon duration and age of the employees.			
4. Expected rate of return on Plan assets	8.00%	8.00%		
VII. <u>The major categories of Plan Assets as a percentage of fair value of the total plan assets.</u>				
Investment with Insurer	100%	100%		
VIII. <u>Amounts for the current and previous years are as follows :</u>				
	<u>2009-2010</u>	<u>2008-2009</u>	<u>2007-2008</u>	<u>2006-2007</u>
1. Defined benefit obligation	1795.72	1610.58	2838.39	2313.89
2. Plan Assets	1698.07	1162.20	1257.35	1082.79
3. Surplus / (Deficit)	(97.65)	(448.38)	(1581.04)	(1231.10)

Note :

- a) The estimates of future salary increase considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
 - b) The information in respect of defined benefit obligation prior to 2006-07 is not available and hence not furnished.
 - c) The Company expects to contribute Rs. 120.00 lacs to Gratuity fund in 2010-2011.
 - d) Experience adjustment on plan assets & liabilities has been considered in the valuation report as certified by the actuary.
18. In respect of non-cancellable operating leases taken by the unit, the significant leasing agreements relating to certain premises are renewable on expiry of mutually acceptable terms. Such lease payments of Rs.129.69 lacs (Rs.90.81 lacs) are recognized in the Profit & Loss account as rent and the particulars of future lease payment are as follows :

	Rupees in lacs	
Future Rental Payments	2009-2010	2008-2009
Upto 1 year	52.70	129.69
Later than 1 year & not later than 5 years	—	52.70
More than 5 years	—	—

Schedule to the Balance Sheet and Profit & Loss Account

19. Related Party Disclosures :

(a) Name of the related parties :

Subsidiary Companies

HM Export Ltd.

Hindustan Motor Finance Corporation Ltd.

Hindustan Motors Ltd., U.S.A.

Associate Company

AVTEC Limited

Key Management Personnel

Mr. R. Santhanam, Managing Director

(b) Aggregated Related Party Disclosures as at and for the year ended March 31, 2010 are as follows. (Transactions have taken place on arm's length basis) *

Rupees in lacs

	Subsidiary Companies			Associate Company	Total
	Hindustan Motors Ltd. U.S.A.	Hindustan Motor Finance Corpn. Ltd.	HM Export Ltd.	AVTEC Ltd.	
Sales	- (10.70)	4580.10 (6.54)	- (7.20)	443.82 (540.98)	5023.92 (565.42)
Purchases	- (-)	- (-)	0.90 (-)	5761.67 (5725.62)	5762.57 (5725.62)
Interest expense	- (-)	8.80 (5.95)	14.30 (13.50)	6.90 (115.10)	30.00 (134.55)
Intercorporate Loans taken and due	- (-)	80.00 (80.00)	130.00 (130.00)	- (-)	210.00 (210.00)
Debtors, Loans & Advances	3.71 (4.15)	222.12 (3.48)	- (-)	- (-)	225.83 (7.63)
Creditors & Other Payables	13.90 (13.90)	- (-)	- (-)	938.94 (1695.48)	952.84 (1709.38)
Investment	- (-)	25.05 (25.05)	0.21 (0.21)	6909.96 (6909.96)	6935.22 (6935.22)
Delivery Charges, Freight & Transportation	- (-)	- (-)	- (-)	4.35 (-)	4.35 (-)
Misc. Expenses	- (-)	- (-)	- (-)	13.60 (21.16)	13.60 (21.16)
Rent & Hire charges received	- (-)	2.75 (-)	- (-)	- (-)	2.75 (-)
Rent & Hire charges paid	- (-)	- (-)	- (-)	11.82 (11.82)	11.82 (11.82)
Selling Expenses, Advertisement, Claims	- (-)	4.59 (-)	- (-)	-19.74 (-34.01)	-15.15 (-34.01)
Provision for Doubtful Debts & Advances	- (107.65)	- (-)	- (-)	- (-)	- (107.65)
Provision for Diminution in the Value of Investment	- (163.09)	- (-)	- (-)	- (-)	- (163.09)
Dividend received	- (-)	- (-)	- (-)	- (153.12)	- (153.12)
Interest Income	- (-)	20.20 (-)	- (-)	4.45 (15.62)	24.65 (15.62)

* Excludes Rs.84.99 lacs (Rs.74.55 lacs) being remuneration to the Managing Director as disclosed vide Note No.13 (a) above.

Schedule to the Balance Sheet and Profit & Loss Account

20. The Company's segment information as at and for the year ended March 31, 2010 is as below :-

				Rupees in lacs
	Automobiles	Others	Total	
(a) Revenue *				
External Net Sales	57312.23 (59759.54)	7.37 (21.94)	57319.60 (59781.48)	
Less : Inter Segment Sales	– (–)	4.36 (4.90)	4.36 (4.90)	
Revenue	<u>57312.23</u> (59759.54)	<u>3.01</u> (16.44)	<u>57315.24</u> (59775.98)	
(b) Results				
Segment Results	-2440.60 (-2647.92)	-82.85 (-367.62)	-2523.45 (-3015.54)	
Unallocated Expenses net of unallocated income			300.84 (-2.75)	
Profit before Interest & Taxation			-2222.61 (-3018.29)	
Interest Expenses			1103.76 (1234.67)	
Provision for Current Tax			14.19 (5.00)	
Fringe Benefit Tax			– (65.16)	
Deferred Tax Charge			1779.37 (-)	
Excess Provision for Taxation net of written back			-9.91 (-437.46)	
Net Profit / Loss			<u>-5110.02</u> (-3885.66)	
(c) Total Assets				
Segment Assets	30655.54 (30892.64)	15.82 (16.61)	30671.36 (30909.25)	
Unallocated Corporate Assets			7368.06 (7751.51)	
			<u>38039.42</u> (38660.76)	
(d) Total Liabilities				
Segment Liabilities	23128.66 (17990.38)	26.95 (23.74)	23155.61 (18014.12)	
Unallocated Corporate Liabilities (including Loans)			10866.95 (11417.49)	
			<u>34022.56</u> (29431.61)	
(e) Other Information	Capital Expenditure		Depreciation	
	<u>2009-2010</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2008-2009</u>
Automobiles	764.09	1401.88	1762.57	2050.83
Others	–	0.93	1.02	15.12
	<u>764.09</u>	<u>1402.81</u>	<u>1763.59</u>	<u>2065.95</u>

Schedule to the Balance Sheet and Profit & Loss Account

(f) Geographical Segments		Rupees in lacs	
Revenue *		<u>2009-2010</u>	<u>2008-2009</u>
India		57310.89	59707.67
Overseas		4.35	68.31
		<u>57315.24</u>	<u>59775.98</u>

* Net of Excise Duty, Sales Tax and Value Added Tax

Notes :

- (i) Business Segment : The business segments have been identified on the basis of the products of the Company.
Automobiles - Consists of manufacture and sale of Passenger Cars, Utility Vehicles, Trucks and Components & Accessories thereof.
Others - Engineering & Other services.
- (ii) Geographical Segment : The Company primarily operates in India and therefore the analysis of geographical segments is demarcated into its Indian and Overseas Operations.
- (iii) Total carrying amount of segment assets by geographical location of assets, for the Company's overseas operations are below 10 % of the total assets of all segments, and hence not disclosed.

21. Details of Research costs (Rupees in lacs) :-

	Capital Expenditure		Revenue Expenditure	
	2009-2010	2008-2009	2009-2010	2008-2009
HINDMOTOR UNIT *	0.64	17.44	195.23	159.30
CHENNAI CAR PLANT (CCP)	-	-	108.86	188.62
INDORE UNIT (RTV)	-	-	6.46	7.76
	0.64	17.44	310.55	355.68

* Approved Centre

22. (a) The following items are included under other heads in the Profit & Loss Account.

		Rupees in lacs	
		<u>2009-2010</u>	<u>2008-2009</u>
Raw Materials and Components		6.85	4.59
Stores and Spares		71.45	58.81

- (b) Salaries & Wages as well as Stores consumption relating to repairs have not been segregated but are charged to the relevant account heads.

23. C.I.F. Value of Imports during the period :

(i) Components and Spare Parts	17542.05	19989.56
(ii) Capital Goods	115.51	25.40
(iii) Vehicles for Trading	371.64	1589.53

24. Expenditure in Foreign Currency (subject to deduction of Tax and R.B.I. approval, wherever applicable)

(i) Royalties, Technical Know-how Fees and other charges	83.11	184.06
(ii) Interest	51.41	14.94
(iii) Other matters	54.32	151.14

Schedule to the Balance Sheet and Profit & Loss Account

25. Earnings in Foreign Exchange:		Rupees in lacs	
		<u>2009-2010</u>	<u>2008-2009</u>
(i) Export of goods on F.O.B. basis (including inland sales which qualify for export incentives)		4.43	64.27
(ii) For Insurance, warranty claims & others		32.97	11.78

26. Details of Raw Materials and Components consumed (including unserviceable and / or damaged items written down and/or written off) :

		Rupees in lacs			
		<u>2009-2010</u>		<u>2008-2009</u>	
	Unit	Qty.	Amount	Qty.	Amount
Steel Sheets, Plates & Flats	M/T	4520	1950.29	2776	1283.47
Bars, Billets, Channels & Angles	M/T	2689	1225.28	1667	827.95
Pig Iron & Scrap	M/T	1059	185.31	715	199.96
Tyres & Tubes	Pcs.	54957	970.55	45123	740.22
Power Unit	Pcs.	5410	6182.22	6315	6977.24
Other Production Stores and Components (including processing charges)			30409.63		29725.40
			<u>40923.28</u>		<u>39754.24</u>

27. Value of Raw Materials and Components, Stores and Spares consumed during the year (including items shown under other heads of expenses, unserviceable and / or damaged items written down and / or written off) :

	Raw Materials and Components				Stores and Spares			
	2009-2010		2008-2009		2009-2010		2008-2009	
	Rs. (lacs)	%	Rs. (lacs)	%	Rs. (lacs)	%	Rs. (lacs)	%
Indigenous	23066.62	56	20818.15	52	1393.68	100	1140.43	99
Imported:								
a) CIF Value (Approx)	16038.72	39	17025.73	43	4.07	0	12.79	1
b) Duty, Port Charges, Transport etc. (Approx)	1824.79	5	1914.95	5	0.77	0	2.47	0
	17863.51	44	18940.68	48	4.84	0	15.26	1
	40930.13	100	39758.83	100	1398.52	100	1155.69	100

Schedule to the Balance Sheet and Profit & Loss Account

28. Quantitative Information :

Installed Capacity, Production, Stocks & Sales of Goods Produced / Traded during the year

Class of Goods	Unit	Installed Capacity	Production	Opening Stock		Closing Stock		Sales (a)	
				Qty.	Rs. in lacs	Qty.	Rs. in lacs	Qty.	Rs. in lacs
1. On Road Automobiles having four or more wheels (including Engines, Transmissions, Axles and Spare-Parts thereof)	Nos.	63000 (b)	10960 (9020)	72 (125)	373.13 (578.87)	85 (72)	536.90 (373.13)	10947 (9073)	63837.87 (64747.27)
2. Steel Products (c)	Tonnes	18000	5344 (d) (4622)	- (-)	68.64 (96.89)	- (-)	151.11 (68.64)	- (-)	1658.64 (1940.39)
3. Manufactured Components & Service Parts for Sale	Rs. (lacs)	-	758.00 (e) (700.00)	-	30.11 (46.08)	-	23.15 (30.11)	-	- (f) (-)
Total					471.88 (721.84)		711.16 (471.88)		65496.51 (66687.66)
4. Purchase of Vehicles for Trading	Nos.		53 (126)	7 (19)	215.60 (464.38)	4 (7)	102.71 (215.60)	56 (138)	1921.90 (4277.26)
5. Boughtout Components & Service parts for sale	Rs. (lacs)	-	3322.24 (2870.18)		853.33 (1015.31)		1080.02 (853.33)		5825.21 (f) (5750.99)
6. Others (including semi-finished goods)	Rs. (lacs)								355.65 (354.16)
								Total :	73599.27 (77070.07)

Schedule to the Balance Sheet and Profit & Loss Account

- (a) Includes excise duty, sales tax, export incentives, insurance claims, transportation & delivery charges and after adjusting incentives / discounts and returns against sales made in earlier years Rs. 77.20 lacs (Rs 362.08 lacs) and including items capitalised Rs. 298.27 lacs (Rs. 77.65 lacs).
- (b) The installed capacity of the plants is not balanced in different manufacturing stages. As a result, in many stages, the capacity is more whereas in some stages, it is less than that mentioned above.
- (c) Includes Alloy Steel and Mild Steel Forgings & Grey Iron Castings.
- (d) Including 1746 Tonnes (952 Tonnes) used for own consumption and for different end-products.
- (e) At estimated sale value.
- (f) Sales value of own manufactured spare parts being unascertainable, the same have been grouped under this head.
1. Installed Capacities are certified by the Management and accepted as correct by the Auditors.
 2. Installed capacities as on 31.03.2009 and 31.03.2010 are identical. Further, licensed capacity has not been given above in view of the delicensing of various products.
29. Previous year's figures (including those which are in brackets) have been regrouped / rearranged wherever necessary.

Signatures to Schedules 1 to 22

As per our report of even date.

S.R. Batliboi & Co.
Registration Number - 301003E
Chartered Accountants
Per **Raj Agrawal**
a Partner
Membership No.: 82028
Place: New Delhi
Date: May 01, 2010

Yogesh Goenka
*Chief Financial Officer &
Company Secretary*

As Approved,
For and on behalf of the Board of Directors

C. K. Birla
Chairman

R. Santhanam
Managing Director

INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	18967	State Code	21
Balance Sheet Date	31.03.2010		

II. Capital raised during the year

(Amount in Rs. thousands)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

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

Total Liabilities	2886388	Total Assets	2886388
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Sources of Funds

Paid up Capital	1612568	Reserves & Surplus	111870
Secured Loans	306927	Unsecured Loans	593325
Deferred Payment Liabilities	83761	Deferred Tax Liability	177937

Application of Funds

Net Fixed Assets	1431390	Investments	694352
Net Current Assets	- 562106	Misc. Expenditure	0
Accumulated Losses	1322752		

IV. Performance of the Company

(Amount in Rs. thousands)

Turnover	6397356 *	Total Expenditure	6729993
Profit before Tax	-332637	Profit after Tax	-511002
Earnings per Share(Basic & Diluted)	-3.17	Dividend rate %	Nil

* Including Other Income.

V. Generic Names of Principal Products of Company

Item Code No. (ITC Code)	Product Description
870300	MOTOR VEHICLES FOR PASSENGERS
870410	MOTOR VEHICLES FOR TRANSPORT OF GOODS

Statement regarding Subsidiary Companies pursuant to Section 212 of the Companies Act, 1956

a) Name of Subsidiaries	1) Hindustan Motor Finance Corporation Limited	2) HM Export Limited	3) Hindustan Motors Limited, USA
b) Holding Company's Interest	Holder of entire subscribed capital	Holder of entire subscribed capital	Holder of entire subscribed capital
c) Net aggregate amount of subsidiaries' Profits or Losses which concerns the members of Hindustan Motors Limited to the extent mentioned above and not dealt with in the Company's accounts :			
i) For the Subsidiaries' financial year ended 31-3-2010	Profit Rs.70,57,292	Profit Rs.14,23,901	—
ii) For the previous financial years, since these companies became subsidiaries	Profit Rs.74,28,806	Profit Rs.1,94,03,623	Loss Rs.2,85,56,014

As Approved,
For and on behalf of the Board of Directors

C. K. Birla
Chairman

New Delhi
1st May, 2010

Yogesh Goenka
*Chief Financial Officer &
Company Secretary*

R. Santhanam
Managing Director

Report of the Directors

To the Shareholders

Your Directors present their Annual Report together with the Audited Annual Accounts of the Company for the year ended 31st March, 2010.

Financial Results

During the year under review the Company's Net Profit after Tax was Rs.70.57 lacs compared to Rs. 23.29 lacs in the previous financial year. The following table gives a summary of the performance :

(Rupees in lacs)

	2009-10	2008-09
Gross Sales and Services	5561.73	297.49
Profit before Interest, Depreciation and Taxes	127.34	45.88
Interest	20.54	1.42
Depreciation	2.88	—
Profit before Tax	103.92	44.46
Provision for Tax	33.35	21.17
Profit after Tax	70.57	23.29

There was a credit balance of Rs.68.31 lacs in the Profit and Loss Account which was brought forward from the previous year. After considering the results of the year under review, there is a closing credit balance of Rs.138.89 lacs in the Profit and Loss Account.

A cash flow statement for the year under review is also attached to the enclosed annual accounts.

Review of Operations

The Company is now mainly in business of bullet proofing and trading of motor vehicles, as such Company has surrendered its Certificate of Registration for carrying on the business of non-banking financial institution to Reserve Bank of India during the year under review.

The Company started trading business and sold 271 vehicles and at the same time 38 number of vehicles had been bullet proofed. Your Directors expect improved performance during the current year.

Dividend

In order to conserve the resources for future business growth, your Directors do not recommend any dividend for the year under review.

Directors' Responsibility Statement

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Board of Directors confirms that:

- A. In the preparation of the annual accounts, for the year ended 31st March, 2010, all the applicable accounting standards prescribed by the Institute of Chartered Accountants of India, have been followed.

- B. The Directors have adopted such accounting policies and have applied them consistently and have made judgements 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 of the Company for that period.
- C. 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.
- D. The Directors have prepared the annual accounts on a going concern basis.

Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988

The Company neither owns any manufacturing facility nor had any export business. Therefore, the information as required under Section 217(1)(e) of the Companies Act, 1956 is not applicable.

Compliance Certificate

Pursuant to the requirement of proviso to Section 383A(1) of the Companies Act, 1956 a Compliance Certificate received from Manoj Shaw & Co., Company Secretary in practice is enclosed.

Particulars of Employees

None of the employees of the Company received salary beyond the ceiling prescribed in Section 217(2A) of the Companies Act, 1956. Hence, no disclosure is made.

Directors

During the year under review, Shri B.C. Mishra and Shri P.K. Sonthalia were appointed as Additional Directors of the Company w.e.f. 1st February, 2010. Shri B.C. Mishra and Shri P.K. Sonthalia will hold office till the conclusion of Annual General Meeting and are eligible for reappointment. Shri Yogesh Goenka and Shri U.C. Tiwari resigned from the Directorship w.e.f. 1st February, 2010. The Board places on record its high appreciation of the valuable services rendered by them during their tenure as Directors of the Company.

At the ensuing Annual General Meeting of the Company, Shri S.P. Singhi retires by rotation from the Board of Directors of the Company and being eligible offers himself for reappointment.

Auditors

To fill the casual vacancy caused by the resignation of M/s. S.R. Batliboi & Co., Chartered Accountants M/s. G. Basu & Co., Chartered Accountants was appointed as statutory auditors of the Company w.e.f. 27th July, 2009 and to hold office until the conclusion of the ensuing Annual General Meeting of the Company.

M/s. G. Basu & Co, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

Acknowledgements

Your Directors wish to place on record their sincere appreciation for the valuable cooperation and support provided to the Company by the Government Authorities, Bankers, Customers and Employees at all levels.

9/1 R.N. Mukherjee Road
Kolkata – 700 001
26th April, 2010

S. P. SINGHI
B. C. MISHRA
DIRECTORS

Compliance Certificate

Under Rule 3 of the Company (Compliance Certificate) Rules, 2001

To

The Members

**HINDUSTAN MOTOR FINANCE CORPORATION LIMITED
"BIRLA BUILDING" 10TH FLOOR,
9/1, R.N.MUKHERJEE ROAD,
KOLKATA-700 001**

We have examined the registers, records, books and papers of M/s HINDUSTAN MOTOR FINANCE CORPORATION LIMITED as required to be maintained under the Companies Act, 1956 (the Act) and the Rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2010. In our opinion and to the best of our information and according to the examination carried out by us and explanation furnished to us by the Company and its officers, we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per provisions and rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, West Bengal under the Companies Act and rules made thereunder.
3. The Company being Public Limited Company, hence comments are not required.
4. The Board of Directors duly met 7 times respectively on 12.05.2009, 15.06.2009, 27.07.2009, 14.08.2009, 31.08.2009, 24.12.2009 and 01.02.2010 and in respect of such Meetings proper notices were given and proceedings were properly recorded and signed in minutes book maintained for the purpose. No circular resolutions were passed during the year under review.
5. The Company has not closed its Register of Members or Debenture holders during the financial year.
6. The Annual General Meeting for the financial year ended 31.03.2009 was held on 10th June, 2009, after giving due notice to the members of the Company and resolution passed thereat have been duly recorded in minutes book maintained for the purpose.
7. One Extraordinary General Meeting was held on 20th August 2009 for change of auditor during the financial year after giving due notice to the members of the Company and resolution passed thereat has been duly recorded in minutes book maintained for the purpose.
8. The Company has not made any loan to its Directors or Persons or Firms or Companies referred to u/s 295 of the Act.
9. The Company has not entered into any Contracts falling within the purview of Section 297 of the Act.
10. The Company has made necessary entries in the registers maintained u/s 301 of the Act.
11. As there were no instance falling within the purview of Section 314 of the Act, the Company has not obtained any approval from the Board of Directors, Members or Central Government, as the case may be.
12. The Company has not issued any duplicate Share Certificate during the financial year.
13. The Company:
 - i. has not allotted any security during the financial year. In respect of transfer of securities lodged with the company, the same has been effected and delivered within the time prescribed under the Act.
 - ii. has not deposited any amount in separate Bank Account as no Dividend was declared during the financial year.

HINDUSTAN MOTOR FINANCE CORPORATION LIMITED

- iii. has not posted warrants to any Members of the Company as no dividend was declared during the financial year.
- iv. duly complied with the requirements of Section 217 of the Act.
- 14. The Board of Directors of the Company is duly constituted.
- 15. There was no appointment of Managing Director/ Whole-time Director/Manager made during the financial year.
- 16. The Company has not appointed any Sole Selling Agent during the financial year.
- 17. The Company's Business during the year under scrutiny did not occasion the obtaining of approval of the Central Government, Company Law Board, Regional Director, Registrar of Companies and/or such Authorities prescribed under the various provisions of the Act.
- 18. The Directors have disclosed their interest in other Firms/Companies to the Board of Directors pursuant to the Provisions of the Act and the rules made thereunder.
- 19. The Company has not issued any shares, debentures or other securities during the financial year.
- 20. The Company has not bought back any shares during the financial year.
- 21. The Company has not issued any preference shares /debenture and hence there is no question of redemption of the same.
- 22. There were no transactions necessitating the Company to keep in abeyance the right to dividend, right shares and bonus shares, pending registration of transfer of shares.
- 23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
- 24. The Company has complied with the requirements of the provisions of Section 293(1)(d) of the Companies Act, 1956.
- 25. The Company has complied with the provisions of Section 372A of the Act during the year.
- 26. The Company has not altered the provisions of the memorandum with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
- 27. The Company has not altered the provisions of the memorandum with respect to the object of the Company during the year under scrutiny.
- 28. The Company has not altered the provisions of the memorandum with respect to name of the Company during the year under scrutiny.
- 29. The Company has not altered the provisions of the memorandum with respect to share capital of the Company during the year under scrutiny.
- 30. The Company has not altered its Articles of Association during the financial year.
- 31. There was no prosecution initiated against or show cause notices received by the Company, during the financial year under the Act.
- 32. The Company has not received any sum as security from its employees during the year under certification.
- 33. The Company has transferred contribution of employees as well as its own contribution to the Trust constituted with respect to Provident Fund for its employees pursuant to Section 418 of the Act.

For MANOJ SHAW & CO.

Manoj Prasad Shaw
Practicing Company Secretary
C.P. NO. : 4194

Kolkata
26th April, 2010

Annexure-'A'

1. Register of Members under Section 150
2. Register of Transfer u/s 108
3. Minutes Book of Board of Directors Meeting and General Meeting u/s 193
4. Register of Directors u/s 303
5. Register of Directors shareholding u/s 307
6. Register of Investment u/s 372A
7. Register of Contracts u/s 301
8. Register of Charges u/s 143

Annexure-'B'

Forms and Return as filed by the Company with the Registrar of the Companies, Regional Director, Central Government or other authorities during the financial year ended 31st March, 2010.

Sl. No.	Form No/Return	Filed u/s	For	Date of filing	Whether filed within Prescribed time Yes/No	If delay in filing whether requisite additional fee paid Yes/No
1.	Annual Return (Form-20B)	159	Annual Return for AGM held on 10.06.2009	07.08.2009	Yes	N.A.
2.	Balance Sheet (Form-23AC & 23ACA)	220	Balance Sheet as on 31.03.2009	08.07.2009	Yes	N.A.
3.	Compliance Certificate (Form-66)	383A	Compliance Certificate for 31.03.2009	01.07.2009	Yes	N.A.
4.	Form-32	303	Change in Directorship on 01.02.2010	24.02.2010	Yes	N.A.
5.	Form-23	224(1)	Change of Auditor on 20.08.2009	28.08.2009	Yes	N.A.

For MANOJ SHAW & CO.

Manoj Prasad Shaw

Practicing Company Secretary

C.P. NO. : 4194

Kolkata
26th April, 2010

Auditors' Report

To the Members of
HINDUSTAN MOTOR FINANCE CORPORATION LIMITED,

1. We have audited the attached Balance Sheet of HINDUSTAN MOTOR FINANCE CORPORATION LIMITED, as at March 31, 2010 and the Profit & Loss Account and Cash Flow Statement for the year ended on that date, annexed thereto. 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 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended), issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, and as amended vide GSR 766(E) dated 25.11.2004, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.
4. Further to our comments in the "Annexure" referred to in paragraph-3 above, we report that:-
 - (i) We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit;
 - (ii) 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 such books;
 - (iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of account as submitted to us;
 - (iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement have been drawn up in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (v) On the basis of written representations received from the directors as on March 31, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - (vi) The Company has complied with the prudential norms relating to income recognition, asset classification and provisioning for bad and doubtful debts as applicable to it.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Notes appearing in Schedule 15, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) In the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2010;
- b) In the case of Profit & Loss Account, of the profit of the Company for the year ended on that date; and
- c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Kolkata
26th April, 2010

For G. Basu & Co.
Chartered Accountants
Registration No. 301174E
(J. N. Dhar)
Partner
Membership No. 007117

Annexure to the Auditors' Report

This is referred to in paragraph-3 of our report of even date

- i. (a) The Company has maintained proper records to show full particular including quantitative details and situation of fixed assets.
(b) The fixed assets have been physically verified during the year by the management and no material discrepancies were noticed on such verification.
(c) During the year, the Company has not disposed of any fixed assets.
- ii. (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
(b) The procedures of physical verification of inventory 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. As informed, no material discrepancies were noticed on such physical verification.
- iii. As informed to us, the Company has not given any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the Provisions of clauses 4 (iii) (a) to (d) of the Order are not applicable.

As informed to us, the Company has not taken any loan, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of the clauses 4(iii)(e) to (g) of the Order are not applicable.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and for sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- v. According to the information and explanations by the management, there have been no contracts or arrangements during the year that need to be entered into the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provision of clauses 4 (v) (a) and (b) of the Order are not applicable.
- vi. As informed, the Company has not accepted any deposits from the public.
- vii. The Company has an internal audit system which, in our opinion, is commensurate with the size and nature of its business.
- viii. The Provision for maintenance of cost records as prescribed by the Central Government under Section 209(1) (d) of the Act is not applicable to the Company.
- ix. (a) The Company has been generally regular in depositing undisputed statutory dues, including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues with the appropriate authorities though there has been delay in payment of income tax and sales tax in few cases.
(b) According to the information and explanations given to us, there were no undisputed dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service-tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues

HINDUSTAN MOTOR FINANCE CORPORATION LIMITED

- which were outstanding, at the Balance Sheet date, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company and as informed to us, there are no dues outstanding in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess on account of any dispute.
- x. The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- xi. Based on our audit procedures and as per the information and explanations given by the management, the Company has no borrowings from any financial institution/ bank and outstanding debentures. Therefore, the provisions of clause 4(xi) of the Order are not applicable.
- xii. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of share, debentures and other securities.
- xiii. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable.
- xiv. In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provision of clause 4(xiv) of the Order are not applicable.
- xv. According to the information and explanations provided to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. The Company did not have any term loans outstanding during the year.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no Funds raised on short-term basis have been used for long-term investment.
- xviii. The Company has not made any preferential allotment of shares during the year to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix. The Company did not have any outstanding debentures during the year.
- xx. The Company has not raised any money through a public issue during the year.
- xxi. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

Place : Kolkata
Date : 26th April, 2010

For **G. Basu & Co.**
Chartered Accountants
Registration No. 301174E
(J. N. Dhar)
Partner
Membership No. 007117

Balance Sheet as at March 31, 2010

	Schedule	March 31, 2010 Rs.	March 31, 2009 Rs.
SOURCES OF FUNDS			
A. SHAREHOLDERS' FUNDS			
a. Share Capital	1	2500000	2500000
b. Reserves & Surplus Surplus as per Profit & Loss Account		13888445	6831153
		16388445	9331153
B. LOAN			
Unsecured	2	6300	6300
		6300	6300
TOTAL		16394745	9337453
APPLICATION OF FUNDS			
A. FIXED ASSETS			
a. Gross Block	3	2055143	—
b. Less : Accumulated Depreciation		288330	—
c. Net Block		1766813	—
B. DEFERRED TAX ASSETS			
		97149	31381
C. CURRENT ASSETS, LOANS & ADVANCES			
a. Inventories - Trading Goods	4	19409768	129441
b. Sundry Debtors	5	18638241	4984054
c. Cash and Bank Balances	6	10066925	26323770
d. Other Current Assets			
Interest accrued on Fixed Deposit		140262	47938
e. Loans & Advances	7	8867935	8149937
		57123131	39635140
D. LESS : CURRENT LIABILITIES & PROVISIONS			
a. Current Liabilities	8	42493375	29615189
b. Provisions		98973	713879
		42592348	30329068
NET CURRENT ASSETS		14530783	9306072
		16394745	9337453
ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			
	15		

Schedules 1 to 8 and 15 referred to above form an integral part of the Balance Sheet.

As per our report of even date.

G. Basu & Co.

Chartered Accountants

Registration No. 301174E

Per **J. N. Dhar**

Partner

Membership No. 007117

3, Chowringhee Approach

Kolkata - 700 072

Date : 26th April, 2010

As Approved,
For and on behalf of the Board of Directors

S. P. SINGHI
B. C. MISHRA
DIRECTORS

Profit & Loss Account for the year ended March 31, 2010

	Schedule	2009-2010 Rs.	2008-2009 Rs.
INCOME			
Sales & Services	9	556172886	29748750
Less : Value Added Tax		<u>61816592</u>	<u>3305422</u>
Other Income	10	1365258	799566
		<u>495721552</u>	<u>27242894</u>
EXPENDITURE			
Job Charges to Contractors		39272500	20500000
(Increase) in stock	11	(19409768)	—
Components Consumed	12	983513	524182
Purchase of Trading goods		456957348	—
Payments to and Provisions for Employees	13	1108182	540494
Interest other than on fixed loans		2053691*	141515
*(Includes Rs. 2019626 to holding company)			
Other Expenses	14	4029890	1062654
Directors' Fees		46000	28000
Depreciation		<u>288330</u>	<u>—</u>
		<u>485329686</u>	<u>22796845</u>
PROFIT BEFORE TAXATION		10391866	4446049
Provision for taxation			
Current Tax (Including Rs Nil (Rs 692964) for earlier years)		3400000	2119248
Fringe Benefit Tax - For earlier year		342	30270
Excess Fringe Benefit Tax Provision Written Back		—	(1506)
Deferred Tax Assets		<u>(65768)</u>	<u>(31381)</u>
PROFIT AFTER TAXATION		<u>7057292</u>	<u>2329418</u>
Add : Surplus brought forward from previous year		<u>6831153</u>	<u>4501735</u>
Balance carried to Balance Sheert		<u>13888445</u>	<u>6831153</u>
Earning per share (Basic & Diluted) (Rs)		28.23	9.32
Nominal value per share (Rs) (Refer Note No.4 on Schedule 15)		10.00	10.00

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 15

Schedules 9 to 15 referred to above form an integral part of the Profit & Loss Account.

As per our report of even date.

G. Basu & Co.

Chartered Accountants

Registration No. 301174E

Per **J. N. Dhar**

Partner

Membership No. 007117

3, Chowringhee Approach

Kolkata - 700 072

Date : 26th April, 2010

As Approved,
For and on behalf of the Board of Directors**S. P. SINGHI**
B. C. MISHRA
DIRECTORS

Cash Flow Statement for the year ended March 31, 2010

	2009-2010 Rs.	2008-2009 Rs.
(A) CASH FLOW FROM OPERATING ACTIVITIES :		
NET PROFIT BEFORE TAXATION :	10391866	4446049
ADJUSTMENTS FOR :		
Depreciation	288330	—
Interest Paid	2053691	141515
Interest Received	(1364939)	(760210)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	11368948	3827354
Increase/(decrease) in Current Liabilities and provisions	12538688	28273393
(Increase)/decrease in Loans & Advances	(481346)	40737
(Increase)/decrease in Inventories	(19280327)	(129441)
(Increase)/decrease in Sundry Debtors	(13654187)	(4650214)
CASH GENERATED FROM OPERATIONS	(9508224)	27361829
Add : Direct Tax Paid (Incl. TDS & FBT) / Received (Net) (Including for earlier years)	(3912403)	(1333582)
NET CASH FLOW FROM OPERATING ACTIVITIES	(13420627)	26028247
(B) CASH FLOW FROM FINANCING ACTIVITIES		
Interest Paid	(2053691)	(65780)
	(2053691)	(65780)
(C) CASH FLOW FROM INVESTING ACTIVITIES		
Interest Received	1272616	774347
Loan to the holding Company (Net)	—	(2500000)
Purchase of Fixed Assets	(2055143)	—
NET CASH USED IN INVESTING ACTIVITIES	(782527)	(1725653)
NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C)	(16256845)	24236814
* CASH & CASH EQUIVALENTS - OPENING BALANCE	26323770	2086956
	10066925	26323770
* CASH & CASH EQUIVALENTS - CLOSING BALANCE	10066925 **	26323770

* Represents Cash and Bank Balances as indicated in Schedule 6.

** Includes Rs 1477000 (Rs 13477000) lying in Fixed Deposits with Banks

As per our report of even date.

G. Basu & Co.
Chartered Accountants
Registration No. 301174E

Per **J. N. Dhar**
Partner
Membership No. 007117
3, Chowringhee Approach
Kolkata - 700 072
Date : 26th April, 2010

As Approved,
For and on behalf of the Board of Directors

S. P. SINGHI
B. C. MISHRA
DIRECTORS

Schedules to the Balance Sheet

	March 31, 2010 Rs.	March 31, 2009 Rs.
SCHEDULE 1 : SHARE CAPITAL		
Authorised :		
250000 Equity Shares of Rs.10 each	2500000	2500000
12250000 Shares of Rs.10 each	122500000	122500000
750000 Shares of Rs.100 each	<u>75000000</u>	<u>75000000</u>
	<u>200000000</u>	<u>200000000</u>
Issued & Subscribed :		
250000 Equity Shares of Rs 10 each fully paid up (The entire Subscribed Capital is held by Hindustan Motors Limited, the Holding Company and its nominees.)	<u>2500000</u>	<u>2500000</u>
SCHEDULE 2 : LOAN		
UNSECURED :		
Security Deposit	<u>6300</u>	<u>6300</u>
	<u>6300</u>	<u>6300</u>

SCHEDULE 3 : FIXED ASSETS

Amount in Rupees

DESCRIPTION OF ASSETS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at March 31, 2009	Addition	Deduction	As at March 31, 2010	Upto March 31, 2009	For the Year	Adjustments	Upto March 31, 2010	As at March 31, 2010	As at March 31, 2009
Buildings	—	1970000	—	1970000	—	281430	—	281430	1688570	—
Computers	—	85143	—	85143	—	6900	—	6900	78243	—
Total - This year	—	2055143	—	2055143	—	288330	—	288330	1766813	—
Total - Previous year	—	—	—	—	—	—	—	—	—	—

	March 31, 2010 Rs.	March 31, 2009 Rs.
SCHEDULE 4 : INVENTORIES		
At lower of cost and net realisable value		
Components	—	129441
Trading goods	<u>19409768</u>	<u>—</u>
	<u>19409768</u>	<u>129441</u>

Schedules to the Balance Sheet

	March 31, 2010	March 31, 2009
	Rs.	Rs.
SCHEDULE 5 : SUNDRY DEBTORS		
Unsecured, Considered good except otherwise stated :		
Debts due for within 6 months	18618091	4983219
Debts due for more than 6 months	20150	835
	18638241	4984054
SCHEDULE 6 : CASH & BANK BALANCES		
Cash on hand (Including cheque in hand Rs.Nil (Rs.1100000)).	31	1103654
With Scheduled Banks on :		
Current Account	8589895	11743116
Fixed Deposit Account	1477000	13477000
	10066925	26323770
SCHEDULE 7 : LOANS & ADVANCES		
Unsecured, Considered good except otherwise stated :		
Loan to the Holding Company *	8000000 *	8000000
Advances recoverable in cash or in kind or for value to be received or pending adjustments	57755 **	22558
Tax deducted at source	176086	148087
Deposits	420000	1850
Advance Payment of Income Tax (Net of Provision Rs.5549860 (Rs.Nil))	236652	—
	8890493	8172495
Less : Provision for doubtful advances	22558	22558
	8867935	8149937
* Maximum amount due during the year Rs.8000000 (Rs.8000000)		
** Includes considered doubtful Rs. 22558 (Rs.22558)		
SCHEDULE 8 : CURRENT LIABILITIES & PROVISIONS		
A. CURRENT LIABILITIES		
Sundry Creditors for goods, services, expenses etc.		
Due to Micro and Small Enterprise	165083	474806
Due to others*	24754496	697162
Advances against Sale	5814802	27540002
For Other Finance	11758994	903219
	42493375	29615189
* Includes due to Holding Company- Rs. 21954390 (Rs. 348441)		
B. PROVISIONS		
For Taxation (Net of Advance payment, Tax at source Rs.Nil (Rs.1502964))	—	616284
For Fringe Benefit Tax (Net)	—	5270
For Leave Liability	98973	92325
	98973	713879
	42592348	30329068

Schedules to the Profit & Loss Account

	2009-2010	2008-2009
	Rs.	Rs.
SCHEDULE 9 : SALES		
Sales of Trading Goods	496590511	—
Job charges	59582375	29748750
	<u>556172886</u>	<u>29748750</u>
SCHEDULE 10 : OTHER INCOME		
Interest from Banks & Others (Tax at source Rs.88086 (Rs.25504))	484939	165142
Interest from the Holding Company (Tax at source Rs.88000 (Rs.122583))	880000	595068
Provision no longer required written back	319	5612
Excess Transport Charges realized	—	4744
Recovery of Bad & Doubtful Debts	—	29000
	<u>1365258</u>	<u>799566</u>
SCHEDULE 11 : (INCREASE) IN STOCK		
Closing Stock :		
Trading Goods	19409768	—
	<u>19409768</u>	<u>—</u>
Less : Opening Stock :		
Trading Goods	—	—
	<u>19409768</u>	<u>—</u>
SCHEDULE 12 : MATERIAL & COMPONENTS CONSUMED		
Opening Stock	129441	—
Add: Purchases	854072	653623
	<u>983513</u>	<u>653623</u>
Less : Closing Stock	—	129441
Consumption	<u>983513</u>	<u>524182</u>
SCHEDULE 13 : PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries & Bonus	963210	442671
Contribution to Provident, Gratuity & Other Funds	86435	55484
Welfare Expenses	58537	42339
	<u>1108182</u>	<u>540494</u>
SCHEDULE 14 : OTHER EXPENSES		
Rent	1070325	135000
Rates & Taxes	16350	34350
Travelling Expenses	571003	386576
Conveyance Expenses	310982	179585
Legal Expenses	298863	31000
Postage, Telegrams & Telephones	86414	19680
Transportation Expenses	596636	—
Bank Charges	51599	21427
Insurance	166236	58390
Advertisement Expenses	7200	—
Auditors' Remuneration :		
As Auditors	25000	50000
Service Tax & Cess	2575	5150
Testing Charges	59846	—
Miscellaneous Expenses	543766	141496
Presents	140515	—
Directors' Travelling	82580	—
	<u>4029890</u>	<u>1062654</u>

Schedule to the Balance Sheet and Profit & Loss Account

SCHEDULE 15 : ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

Nature of Operations

Hindustan Motor Finance Corporation Limited is a 100% subsidiary of Hindustan Motors Limited and is engaged in the business of Bullet proofing & Trading business.

1. ACCOUNTING POLICIES

i) Basis of Preparation :

The financial statements have been prepared to comply in all material aspects with the Notified Accounting Standards by Companies Accounting Standard Rules, 2006 and the relevant provisions of the Companies Act, 1956. Except otherwise mentioned, the accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

ii) Revenue Recognition :

a) Revenue from sale of goods and services rendered is recognised upon passage of title and rendering of services to the customers.

b) The following account due to uncertainty in realisation, are maintained on actual receipt basis:
Rent from a Sub-tenant.

iii) Fixed Assets :

Fixed Assets are stated at cost less accumulated depreciation and impairment, if any.

iv) Depreciation :

a) Depreciation on Fixed Assets is provided on Straight Line Method at the rates specified in Schedule XIV of the Companies Act, 1956 or estimated useful life whichever is higher.

b) Depreciation on Fixed Assets added/disposed off during the year, is provided on pro-rata basis with reference to the month of addition/disposal.

v) Inventories :

Stock In Trade is valued at lower of cost and realisable value.

vi) Retirement and Other Employee Benefits :

Defined Contribution Plans

Company's contributions to Provident Fund and Superannuation Schemes are charged to the Profit & Loss Account of the year when the contributions to the respective funds are due. The Company has no obligations other than the contributions payable to the respective trusts.

Defined Benefit Plans

Gratuity liability and compensated leave encashment are provided for based on actuarial valuation made at the end of each financial year. The actuarial valuation is done on Projected Unit Credit method. Actuarial gain and losses are recognised immediately in the statement of Profit & Loss Account as income or expenses.

vii) Taxation :

a) Tax expenses comprise of current & deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred Income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Schedule to the Balance Sheet and Profit & Loss Account

- b) The deferred tax is accounted for using the tax rates and laws that have been substantially enacted as of the Balance Sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carry forward unabsorbed depreciation and tax losses, deferred tax assets are recognised only to the extent there is virtual certainty supported by convincing evidence that sufficient taxable income will be available against which such deferred tax assets can be realised.
- viii) **Segment Reporting :**
- a) **Identification of Segments :**
The Company has identified that its operating segments are the primary segments. The Company's operating businesses are organised and managed separately according to the nature of products, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which the customers of the Company are located.
- b) **Allocation of Common Costs :**
Common allocable costs are allocated to each segment on case to case basis applying the ratio, appropriate to each relevant case. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segment on a reasonable basis, have been included under the head "Unallocated".
The accounting policies adopted for segment reporting are in line with those of the Company.
- ix) **Earning Per Share :**
Earning Per Share is calculated by dividing the net profit or loss for the period attributable to equity shareholders, by the weighted average number of equity shares outstanding during the period.
For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.
- x) **Contingencies:**
Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed by way of Notes to the Accounts.
- xi) Provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions made in terms of Accounting Standard 29 are not discounted to its present value and are determined based on the management estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.
2. **Contingent liability not provided for in respect of :**

	Amount in Rupees	
	March 31, 2010	March 31, 2009
Claims not acknowledged as debts by the Company		
Outstanding Bank Guarantees	1477000	1477000

Schedule to the Balance Sheet and Profit & Loss Account

3. The Suit filed for recovery of Rent from a Sub-tenant, is still pending in the Hon'ble Kolkata Court. The Court by way of an interim order has directed for payment of rent in instalments without prejudice to the rights and contentions of the parties to the Suit. But, the Sub-tenant has defaulted in payment as directed in the Court's Interim Order, against which the Company has moved to the Hon'ble Kolkata High Court.

4. **Earning Per Share (EPS) :**

In terms of Accounting Standard-20, the calculation of EPS is given below :-

	Amount in Rupees	
	2009-10	2008-09
Profit / (Loss) as per Accounts (Rs.)	7057292	2329418
Weighted Average Number of Shares	250000	250000
Basic and Diluted EPS (Rs.)	28.23	9.32
Nominal value per share (Rs.)	10.00	10.00

5. Based on the information /documents available with the Company , information as per the requirement of Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 are as under :

	Amount in Rupees	
	2009-10	2008-09
(i) Principal amount remaining unpaid to any supplier at the end of the accounting year	165083	446023
(ii) Interest due on above	33722	28783
Total of (i) & (ii)	198805	474806
(iii) Amount of interest paid by the Company to the suppliers	Nil	4360
(iv) Amounts paid to the suppliers beyond the respective due date	Nil	81435
(v) Amount of interest due and payable for the period of delay in payments but without adding the interest specified under the Act.	Nil	Nil
(vi) Amount of interest accrued and remaining unpaid at the end of the accounting year.	62505	28783
(vii) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23 of this Act.	Nil	Nil

6. **Related Party Disclosure :**

- (a) Name of the related parties:
- | | |
|----------------------------|--|
| 100 % Holding Company : | Hindustan Motors Limited |
| Fellow subsidiaries : | HM Export Ltd.
Hindustan Motors Ltd, U.S.A. |
| Key Management Personnel : | None |

Schedule to the Balance Sheet and Profit & Loss Account

(b) Aggregated Related Party Disclosures

(Transactions have taken place on arm's length basis)

	Holding Company (Amount in Rupees)
Interest Received	880,000 (595,068)
Interest Paid	2,019,626 (-)
Rent paid (Excluding service tax Rs.28325)	275,000 (-)
Purchases (Including VAT Rs. 402957)	457,551,298 (652,623)
Inter Corporate Loans outstanding as on 31/3/2010	8,000,000 (8,000,000)
Purchase Payable as on 31.03.2010	21,954,390 (348,341)

7. For the current year, there is deferred tax asset of Rs.65768 which has been credited to Profit & Loss Account

The break-up of Deferred tax asset as on 31st March, 2010 is as follows :

	Amount in Rupees	
	2009-10	2008-09
Timing difference in depreciable assets	55841	—
Expenses allowable against taxable income in future years	41308	31381
	<u>97149</u>	<u>31381</u>

8. Segment Information

(i) Business segment : The business segment have been identified on the basis of the products of the Company. Accordingly the Company has identified "Automobile Segment" as the operating segment:

Automobile : Consists of job work for bullet proofing operations of vehicles & trading of vehicles & parts thereof.

As the Company has only one segment, details regarding segmentation are not applicable pursuant to Accounting Standard 17 issued by the Institute of Chartered Accountants of India.

(ii) Geographical Segment: There is no geographical segment since the Company operates in India only.

9. Disclosure under Accounting Standard-15 (Revised) on 'Employee Benefits'

	Amount in Rupees	
A. Defined Contribution Plan	2009-10	2008-09
Contribution to Provident Fund	67792	39115
Contribution to Superannuation Fund	18000	15750

B. Defined Benefit Plan

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets Gratuity on terms not lower than the amount payable under the Payment of Gratuity Act, 1972. The aforesaid scheme is funded with an Insurance Company. The following table summarises the components of net benefit expenses recognised in profit & loss account and the funded status and amount recognised in the balance sheet for respective plan.

Schedule to the Balance Sheet and Profit & Loss Account

Sl.	Particulars	Amount in Rupees			
		2009-10	2008-09		
	Gratuity				
I	Net Employee Expense/(benefit)				
1.	Current Service Cost	35384	15713		
2.	Interest cost on benefit obligation	37973	37154		
3.	Expected Return on plan assets	(45734)	(38046)		
4.	Net Actuarial gain/loss recognised in the year	(27623)	(14821)		
5.	Total employee expenses recognised in Profit & Loss Account	—	—		
II	Actual return on plan assets	45734	38046		
III	Benefit Asset/(Liability)				
1.	Defined benefit obligation	529180	483446		
2.	Fair Value of Plan Assets	529180	483446		
3.	Benefit Asset/(Liability)	—	—		
IV	Movement in benefit liability				
1.	Opening defined benefit obligation	483446	445400		
2.	Interest cost	37973	37154		
3.	Current Service Cost	35384	15713		
4.	Benefits paid	—	—		
5.	Actuarial (gains)/losses on obligation	(27623)	(14821)		
6.	Closing benefit obligation	529180	483446		
V	Movement in fair value of plan assets				
1.	Opening fair value of plan assets	483446	445400		
2.	Return on plan assets(actual)	45734	38046		
3.	Contribution by employer	—	—		
4.	Benefits paid	—	—		
5.	Closing fair value of plan assets	529180	483446		
VI	The principal actuarial assumptions are as follows				
1.	Discount Rate	7.50%	7.50%		
2.	Salary increase	5.00%	4.00%		
3.	Withdrawal Rate	Varying between 2% & 1 % per annum depending upon duration and age of the employees.			
4.	Expected rate of return on Plan Asset	8%	8%		
VII	The major categories of Plan Assets as a percentage of face value of total plan assets.				
	Investment with Insurer	100%	100%		
VIII	Amount for the current and previous period are as follows				
		Amount in Rupees			
	Gratuity	2009-2010	2008-2009	2007-2008	2006-2007
1.	Defined Benefit Obligation	529180	483446	445400	408624
2.	Plan Assets	529180	483446	445400	408624
3.	Surplus / (Deficit)	—	—	—	—
4.	Experience adjustments on Plan Assets	NA	NA	NA	NA
5.	Expenditure adjustments on Plan Liabilities	NA	NA	NA	NA

Schedule to the Balance Sheet and Profit & Loss Account

Note :

- The estimates of future salary increase considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
- The information in respect of defined benefit obligation prior to 2006-07 are not available and hence not furnished.

10. Details of Material & Components Consumed

	2009-10	2008-09
Material & Components (in Rs.)	983513	524182
	<u>983513</u>	<u>524182</u>

11. Material & Components Consumed

	2009-10		2008-09	
	Value (in Rs.)	%	Value (in Rs.)	%
Indigenous	983513	100	524182	100
Imported	—	—	—	—
	<u>983513</u>	<u>100</u>	<u>524182</u>	<u>100</u>

12. Quantitative Information

Class of Service	Bullet Proofing		Purchase of Vehicle for trading	
	2009-10	2008-09	2009-10	2008-09
Opening (Qty)	Nil	Nil	Nil	Nil
Opening (value)	Nil	Nil	Nil	Nil
Production (Qty in Nos.)	38	20	283	Nil
Production (Value in Rs.)	39272500	20500000	456957348	Nil
Sales (Qty)	38	20	271	Nil
Sales (Value in Rs.)	59582375	29748750	496590511	Nil
Closing Stock (Qty)	Nil	Nil	12	Nil
Closing Stock (Value)	<u>Nil</u>	<u>Nil</u>	<u>19409768</u>	<u>Nil</u>

- The Company has ceased to be a NBFC considering its financial earning as well as financial assets both proving less than fifty percent of gross earning and gross assets during the year as well as in the previous year. Considering this Company has applied to RBI for cancellation of certificate of registration for NBFC.
- Previous year's figures (including those which are in bracket) have been regrouped/ rearranged wherever necessary.

Signatures to Schedules 1 to 15

As per our report of even date.

G. Basu & Co.

Chartered Accountants

Registration No. 301174E

Per **J. N. Dhar**

Partner

Membership No. 007117

3, Chowringhee Approach

Kolkata - 700 072

Date : 26th April, 2010

As Approved,
For and on behalf of the Board of Directors

S. P. SINGHI
B. C. MISHRA
DIRECTORS

HINDUSTAN MOTOR FINANCE CORPORATION LIMITED

ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF SCHEDULE VI, PART IV OF THE COMPANIES ACT, 1956 (VIDE NOTIFICATION NO.3/24/94-CL-V(A) DATED 15-5-1995)

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.	8866	State Code	21
Balance Sheet Date	31-3-2010		

II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

III. POSITION OF MOBILIZATION AND DEPLOYMENT OF FUND (Amount in Rs. Thousands)

Total Liabilities	16395	Total Assets	16395
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SOURCES OF FUNDS

Paid up Capital	2500	Reserves & Surplus	13889
Secured Loans	Nil	Unsecured Loans	6

APPLICATION OF FUNDS

Net Fixed Assets	1767	Investment	Nil
Net Current Assets	14628	Misc. Expenditure	Nil
Accumulated Losses	Nil		

IV. PERFORMANCE OF THE COMPANY (Amount in Rs. Thousands)

Turnover	495722	Total Expenditure	485330
Profit before Tax	10392	Profit after Tax	7057
Earning per Share (Rs.)	28.23	Dividend rate %	Nil

*Including Other Income.

V. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY

Item Code No. (ITC Code)	870300
Product Description	Trading & Bullet Proofing of Motor Vehicles.

Report of the Directors

To the Shareholders

Your Directors present their Annual Report together with the Audited Annual Accounts of the Company for the year ended 31st March, 2010.

Financial Results

During the year under review the Company's Net Profit after Tax was Rs.14.24 lacs compared to Rs.26.41 lacs in the previous financial year. The following table gives a summary of the performance :

	(Rupees in lacs)	
	2009-10	2008-09
Gross Sales and Services	6.62	141.75
Profit before Interest, Depreciation and Taxes	20.72	38.52
Interest	—	—
Depreciation	0.19	0.21
Profit before Tax	20.53	38.31
Provision for Tax	6.29	11.90
Profit after Tax	14.24	26.41

There was a credit balance of Rs.122.18 lacs in the Profit and Loss Account which was brought forward from the previous year. After considering the results of the year under review, there is a closing credit balance of Rs.136.42 lacs in the Profit and Loss Account.

A cash flow statement for the year under review is also attached to the enclosed annual accounts.

Review of Operations

During the year under review the Company had exported Auto parts to United Kingdom. The total earnings from export during the year was Rs.6.62 lacs as against Rs.141.75 lacs in the previous year. Your Directors expect improved performance during the current year.

Dividend

In order to conserve the resources for future business growth, your Directors do not recommend any dividend for the year under review.

Directors' Responsibility Statement

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Board of Directors confirms that :

- A. In the preparation of the annual accounts, for the year ended 31st March, 2010, all the applicable accounting standards prescribed by the Institute of Chartered Accountants of India, have been followed.
- B. The Directors have adopted such accounting policies and have applied them consistently and have made judgements 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 of the Company for that period.

- C. 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.
- D. The Directors have prepared the annual accounts on a going concern basis.

Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988

The particulars of Foreign Exchange earnings and expenses appear in Note B(6) of Schedule 12 to the accounts. Since the Company did not own any manufacturing facility, the other particulars of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are not applicable.

Particulars of Employees

None of the employees of the Company received salary beyond the ceiling prescribed in Section 217(2A) of the Companies Act, 1956. Hence, no disclosure is made.

Directors

At the ensuing Annual General Meeting, Shri K. K. Choudhury, Director of the Company, retires by rotation and being eligible offers himself for re-appointment.

Auditors

The Auditors, Messrs. G. Basu & Co., Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment for another term beginning the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting.

Acknowledgements

Your Directors wish to place on record their sincere appreciation for the valuable cooperation and support provided to the Company by the Government Authorities, Bankers and Customers at all levels.

9/1 R. N. Mukherjee Road
Kolkata – 700 001
26th April, 2010

S. P. SINGHI
K. K. CHOUDHURY
DIRECTORS

AUDITORS' REPORT TO THE MEMBERS OF HM EXPORT LTD.

1. We have audited the attached Balance Sheet of **HM EXPORT LIMITED** as at 31st March, 2010 and also the Profit & Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. 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. As required by the Companies (Auditor's Report) Order 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 and as amended vide GSR766(E) dated 25.11.2004 we enclose in the Annexure a statement on the matters specified in paragraph - 4 and 5 of the said Order.
4. Further to our comments in the "Annexure" referred to in Paragraph - 3 above, we report that :
 - i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - ii) 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 the books of the Company.
 - iii) The Balance Sheet and Profit & Loss Account dealt with by this Report are in agreement with the Books of Account.
 - iv) In our opinion the Profit and Loss Account and the Balance Sheet comply with Accounting Standards referred to in sub-section 3(C) of Section 211 of the Companies Act, 1956.
 - v) On the basis of written representations received from the directors as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - vi) In our opinion and to the best of our information and according to explanations given to us, the said accounts read with other Notes appearing in Schedule - 12 give the information required by the Companies Act, 1956 in the manner so required and give true and fair view in conformity with the accounting principles generally accepted in India :
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010 and
 - b) In the case of Profit & Loss Account, of the profit of the Company for the year ended on that date.
 - c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Kolkata
26th April, 2010

For **G. Basu & Co.**
Chartered Accountants
Registration No. 301174E
(J. N. Dhar)
Partner
Membership No. 007117

Annexure to the Auditors' Report

This is referred to in paragraph 3 of our report of even date

1. The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets.
2. The fixed assets have been physically verified during the year by the management and no material discrepancies were noticed on such verification.
3. During the year, the Company has not disposed of any fixed assets.
4. The Company has no Inventory.
5. The company has not taken any loan secured or unsecured from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
6. No loans secured or unsecured have been granted by the Company, to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
7. In our opinion, and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit no major weakness has been noticed in the internal control systems.
8. Based on audit procedures applied by us and according to the information and explanations provided by the management we have to state that there were no transactions which are required to be entered into the register maintained under Section 301.
9. In our opinion and according to the information and explanations given to us the Company has not accepted any deposit from the public.
10. In our opinion, the Company, has an internal audit system commensurate with the size and nature of its business.
11. Government has not prescribed maintenance cost records under Section 209(1)(d) of the Companies Act, 1956 for the year under review.
12. According to the books and records of the Company, the Company is regular in depositing with appropriate authorities 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 any other statutory dues to the extent applicable to it.
13. According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess were outstanding as at 31st March, 2010 for a period of more than 6 months from the date they became payable.
14. According to the records of the Company, there are no dues of Sales Tax, Income Tax, Customs Duty, Excise Duty, Wealth Tax, Service Tax which have not been deposited on account of any dispute.
15. There is no accumulated loss. Company has neither incurred cash loss during the financial year covered by our audit nor in the immediately preceding financial year.
16. Based on our audit procedures and on the basis of information and explanations given by the management, we have to state that since the Company has not taken any loan from financial institutions, banks or debenture holder.
17. Based on our examination of documents and records, we state that the Company has not granted any loans and advances on the basis of securities by way of pledge of shares, debentures and other securities.

18. Since the Company is a trading company provision of any special statute applicable to a chit fund, nidhi/mutual benefit fund/ societies are not applicable to this Company.
19. The Company is neither dealing or trading in shares, securities, debentures, and other investments, nor held any such securities.
20. The Company has not given any guarantee for loans taken by others form banks or financial institutions.
21. On the basis of our examination of books and records and the information and explanations given by the management, we state that the Company has not obtained any term loan.
22. No fund raised on short term basis has been used for long term investment.
23. The Company has not made any preferential allotment of shares.
24. During the period covered by our audit report the Company has not issued any debenture.
25. The Company has not raised any money by public issues.
26. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.
27. Other paras of the order are not applicable to the Company.

Kolkata
26th April, 2010

For **G. Basu & Co.**
Chartered Accountants
Registration No. 301174E
(J. N. Dhar)
Partner
Membership No. 007117

Balance Sheet as at March 31, 2010

	Schedule	As at March 31, 2010 Rs.	As at March 31, 2009 Rs.
SOURCES OF FUNDS			
A. SHAREHOLDERS' FUNDS			
a. Share Capital	1	500000	500000
b. Reserves & Surplus	2	19163048	17739147
		<u>19663048</u>	<u>18239147</u>
APPLICATION OF FUNDS			
A. FIXED ASSETS			
a. Gross Block		320200	320200
b. Less : Depreciation		280255	261604
c. Net Block		<u>39945</u>	<u>58596</u>
B. CURRENT ASSETS, LOANS & ADVANCES			
a. Sundry Debtors	4	-	-
b. Cash and Bank Balances	5	7087985	7731664
c. Other Current Assets	6	246266	231761
d. Loans & Advances	7	14913192	14596667
		<u>22247443</u>	<u>22560092</u>
C. LESS : CURRENT LIABILITIES & PROVISIONS			
a. Current Liabilities		729902	2687489
b. Provisions		1835000	1627600
		<u>2564902</u>	<u>4315089</u>
NET CURRENT ASSETS		19682541	18245003
DEFERRED TAX LIABILITY (DEPRECIATION)		59438	64452
		<u>19623103</u>	<u>18180551</u>
		<u>19663048</u>	<u>18239147</u>
ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	12		

Schedules 1 to 8 and 12 referred to above form an integral part of the Balance Sheet.

In terms of our attached Report of even date.

G. Basu & Co.

Chartered Accountants

Registration No. 301174E

J N Dhar

Partner

Membership No. 007117

3, Chowringhee Approach

Kolkata - 700 072

Date : April 26, 2010

S. P. SINGHI
K. K. CHOUDHURY
DIRECTORS

Profit & Loss Account for the year ended March 31, 2010

	Schedule	2009-2010 Rs.	2008-2009 Rs.
INCOME			
Sales	9	661939	14175008
Other Income	10	1906678	1709540
		<u>2568617</u>	<u>15884548</u>
EXPENDITURE			
Purchase of Traded Goods		331705	11580705
Other Expenses	11	149214	431551
Directors' Remuneration (Meeting fee)		16000	20000
		<u>496919</u>	<u>12032256</u>
PROFIT BEFORE INTEREST, DEPRECIATION & TAXATION		<u>2071698</u>	<u>3852292</u>
Depreciation		18651	21701
		<u>18651</u>	<u>21701</u>
PROFIT BEFORE TAXATION		2053047	3830591
Less : Provision for Taxation		640000	1195000
Add : Deferred Tax (depreciation)		5014	5671
Less : Income-tax for earlier year		-	17636
Add : Excess provision for taxation written back		5840	17405
PROFIT AFTER TAXATION		<u>1423901</u>	<u>2641031</u>
Balance Brought forward from Previous year		12218147	9577116
BALANCE CARRIED TO BALANCE SHEET		<u>13642048</u>	<u>12218147</u>
Earning per share - Basic and Diluted (Rs.)		<u>28.48</u>	<u>52.82</u>

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 12

Schedules 9 to 12 referred to above form an integral part of the Profit & Loss Account.

In terms of our attached Report of even date.

G. Basu & Co.

Chartered Accountants

Registration No. 301174E

J N Dhar

Partner

Membership No. 007117

3, Chowringhee Approach

Kolkata - 700 072

Date : April 26, 2010

S. P. SINGHI
K. K. CHOUDHURY
DIRECTORS

Cash Flow Statement for the year ended March 31, 2010

	March 31, 2010	March 31, 2009
	Rs.	Rs.
(A) CASH FLOW FROM OPERATING ACTIVITIES :		
NET PROFIT BEFORE TAXATION AND EXTRAORDINARY ITEMS :	2053047	3830591
ADJUSTMENT FOR :		
Depreciation	18651	21701
Unrealized Foreign Exchange Gain/Loss (Net)	-65965	59148
Interest Income	-1842458	-1709540
OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES	163275	2201900
Increase/Decrease(-) in Trade Payables	-1891622	-127728
Decrease/Increase(-) in Trade & Other Receivables	-14505	60271
CASH GENERATED FROM OPERATIONS	-1742852	2134443
Less: Direct Tax Paid(Incl. TDS & FBT)/Received (Net) (including for earlier years)	-743285	-1030769
NET CASH FLOW FROM OPERATING ACTIVITIES	-2486137	1103674
(B) CASH FLOW FROM INVESTING ACTIVITIES :		
Interest Received	412458	359484
Interest received against loan to Holding Company	1430000	1350056
NET CASH FLOW FROM INVESTING ACTIVITIES	1842458	1709540
NET CHANGES IN CASH & CASH EQUIVALENTS (A+B)	-643679	2813214
*CASH & CASH EQUIVALENTS - OPENING BALANCE	7731664	4918450
	7087985	7731664
*CASH & CASH EQUIVALENTS - CLOSING BALANCE	7087985 **	7731664

*Represents Cash and Bank Balances as indicated in Schedule 5.

** Includes Rs.44,00,000/- (Rs.65,39,130/-) lying in Fixed Deposits with Banks

In terms of our attached Report of even date.

G. Basu & Co.

Chartered Accountants

Registration No. 301174E

J N Dhar

Partner

Membership No. 007117

3, Chowringhee Approach

Kolkata - 700 072

Date : April 26, 2010

S. P. SINGHI
K. K. CHOUDHURY
DIRECTORS

Schedules to the Balance Sheet

	As at March 31, 2010 Rs.	As at March 31, 2009 Rs.
SCHEDULE 1 : SHARE CAPITAL		
Authorised :		
50,000 Equity Shares of Rs 10 each	500000	500000
Issued & Subscribed :		
50,000 Equity Shares of Rs 10 each fully paid up	500000	500000
Notes :		
1) The entire Subscribed Capital is held by Hindustan Motors Limited, the Holding Company and its nominees.		
2) Issued & Subscribed Capital includes 47,900 Equity Shares issued and allotted as fully paid Bonus Shares by way of capitalisation of General Reserve.		
SCHEDULE 2 : RESERVES & SURPLUS		
GENERAL RESERVE :		
As per last account	5521000	5521000
	5521000	5521000
PROFIT & LOSS ACCOUNT		
	13642048	12218147
	19163048	17739147

SCHEDULE 3 : FIXED ASSETS

DESCRIPTION OF ASSETS	GROSS BLOCK			DEPRECIATION				NET BLOCK	
	As at March 31 2009 Rs.	Sales/ Adjustments Rs.	Total to March 31 2010 Rs.	Total March 31 2009 Rs.	For the Year Rs.	Less on Sales/ Adjustments Rs.	Upto March 31 2010 Rs.	As at March 31 2010 Rs.	As at March 31 2009 Rs.
Machinery & Equipment	69190	-	69190	25962	3286	-	29248	39942	43228
Computer	236600	-	236600	221232	15365	-	236597	3	15368
Furniture & Fittings	14410	-	14410	14410	-	-	14410	-	-
Total-This year	320200	-	320200	261604	18651	-	280255	39945	58596
Total-Previous year	320200	-	320200	239903	21701	-	261604	58596	80297

	As at March 31, 2010 Rs.	As at March 31, 2009 Rs.
SCHEDULE 4 : SUNDRY DEBTORS (UNSECURED)		
Debts outstanding for a period exceeding six months :	29810	29810
Less : Provision for doubtful debts	29810	29810
	-	-
SCHEDULE 5 : CASH & BANK BALANCES		
Cash in hand (Including cheques)	17660	25361
Balance with Scheduled Banks in :		
Fixed Deposit Account	4400000	6539130
Current Account	2670325	1167173
	7087985	7731664

Schedules to the Balance Sheet

	As at March 31, 2010 Rs.	As at March 31, 2009 Rs.
SCHEDULE 6 : OTHER CURRENT ASSETS		
Unsecured :		
Considered good :		
Interest accrued on Deposits/Loan	147983	43410
Export Incentives receivable	98283	98283
DEPB License	-	90068
	<u>246266</u>	<u>231761</u>
SCHEDULE 7 : LOANS & ADVANCES		
Unsecured :		
Considered good :		
Inter Corporate Loan to Holding Company	13000000	13000000
Advance Payment of Fringe Benefit Tax	800	9800
Advance payment of Income Tax	1903392	1577867
Other advances recoverable in cash or in kind or for value to be received or pending adjustments	9000	9000
	<u>14913192</u>	<u>14596667</u>
SCHEDULE 8 : CURRENT LIABILITIES & PROVISIONS		
A. CURRENT LIABILITIES		
Sundry Creditors for goods, services, expenses etc.*	29550	1924190
Advance against Orders	700352	763299
	<u>729902</u>	<u>2687489</u>
B. PROVISIONS		
For Taxation	1835000	1627600
	<u>2564902</u>	<u>4315089</u>

* Amount outstanding to Micro & Small Enterprises is nil.

Schedules to the Profit & Loss Account

	Year ended March 31, 2010 Rs.	Year ended March 31, 2009 Rs.
SCHEDULE 9 : SALES		
Export Sales	657641	14077461
Export Incentives	4298	97547
	<u>661939</u>	<u>14175008</u>
SCHEDULE 10 : OTHER INCOME		
Interest on Fixed Deposits (including TDS Rs.49018/- prev. yr. Rs.73155/-)	411558	351724
Interest from holding Company on loan (including TDS Rs.143000/- prev. yr.Rs.278112/-)	1430000	1350056
Interest received from IT Department	900	7760
Exchange rate difference (Net)	64220	-
	<u>1906678</u>	<u>1709540</u>

Schedule to the Profit & Loss Account

	Year ended March 31, 2010 Rs.	Year ended March 31, 2009 Rs.
SCHEDULE 11 : OTHER EXPENSES		
Rates & Taxes	4750	4750
Delivery Charges, Freight & Transportation etc.	-	40798
Miscellaneous Expenses	124610	108284
Exchange Rate Difference (Net)	-	257803
Auditors' Remuneration :		
As Auditors	16545	16545
Other Services for issuing various certificates	3309	3371
	149214	431551

Schedule to the Balance Sheet and Profit & Loss Account

SCHEDULE 12 : ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. ACCOUNTING POLICIES :

Accounts have been compiled on historic cost convention undergoing concern assumption in adherences of Accounting Standards issued by ICAI and generally accepted accounting principles.

i. RECOGNITION OF INCOME AND EXPENSES :

- a) For recognition of income and expenses, accrual basis of accounting is followed consistently.
- b) Revenue from sale of goods is recognised upon passage of title to the customers.
- c) Insurance and other claims, to the extent considered recoverable, are accounted for in the year of claim. However, claims, refunds and incentives whose recovery cannot be ascertained with reasonable certainty, are accounted for on acceptance/actual receipt basis.

ii. FIXED ASSETS :

Fixed Assets are stated at cost of acquisition inclusive of registration charges.

iii. FOREIGN CURRENCY TRANSACTIONS :

Transactions during the year are accounted at the rate prevailing on the date of despatch/transaction. Exchange differences arising on realisations are taken into Exchange Rate Difference Account. Year end foreign currency monetary assets/outside liabilities have been converted at year end rate and resulting exchange gain/loss have been accounted for in Profit & Loss Account.

iv. DEPRECIATION :

Depreciation on Fixed Assets has been provided on Straight Line Method at the rates specified in Schedule XIV of the Companies Act, 1956, (as amended).

v. INVENTORIES :

Stock of traded goods is valued at cost or market rate whichever is lower on first in first out basis.

vi. DEFERRED TAXATION :

Deferred tax is recognised, subject to consideration of prudence, on timing differences, being difference between taxable and accounting income/expenditure that originate in one period and are capable of reversal in one or more subsequent period(s). Deferred tax assets are not recognised unless there is "virtual certainty" that sufficient future taxable income will be available against which such deferred tax assets will be realised.

vii. CONTINGENCIES :

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed by way of Notes to the Accounts.

viii. PROVISION :

Provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligations, in respect of which a reliable estimate can be made. Provisions made in terms of Accounting Standard 29 are not discounted to its present value and are determined based on the management estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

B. NOTES ON ACCOUNTS :

1. Disclosure under Accounting Standard-18 - Related Party Disclosure
(Transactions have taken place on arm's length basis)

Sl. No.	Name of related party	Nature of relationship	Nature of transaction	Amount (Rs.)
1.	Hindustan Motors Ltd.	Holding Company	Purchases (net of return)	- (719986)
			Loan given & outstanding as on 31.03.2010	13000000 (13000000)
			Interest on loan	14,30,000 (1350056)
			Sale of DEPB License	90068 (-)
2.	Hindustan Motor Finance Corpn Ltd.	Fellow Subsidiary Company	-	-
3.	Hindustan Motors Limited, USA	Fellow Subsidiary Company	-	-

2. As the Company has only one segment comprising of trading of automobiles and its spare-parts, details regarding segmentation is not applicable pursuant to Accounting Standard 17 issued by the Institute of Chartered Accountants of India.

3. **Earning per share (EPS) :**

In terms of Accounting Standards (AS-20) issued by the Institute of Chartered Accountants of India, the calculation of EPS is given below :-

	2009-2010	2008-2009
Profit as per accounts (Rs.)	1423901	2641031
No. of Equity Shares outstanding during the year	50000	50000
Basic & Diluted EPS (Rs.)	28.48	52.82

4. **AS-28**

Considering absence of indication of impairment from external and internal sources of information as laid down under AS-28 issued by ICAI and considering the nature of business no exercise for impairment of fixed assets has been deemed necessary in terms of para 6 of relevant standard.

5. **Quantitative information :**

Traded goods

Class of Goods	Unit	Purchases		Opening Stock		Closing Stock		Sales	
		Qty.	Rs.	Qty.	Rs.	Qty.	Rs.	Qty.	Rs.
1. On Road Automobile having four or more wheels	Nos.	- (2)	- (674192)	- (-)	- (-)	- (-)	- (-)	- (2)	- (887718)
2. Isuzu Engine	Nos.	- (216)	- (10689696)	- (-)	- (-)	- (-)	- (-)	- (216)	- (12893656)
3. Spare Parts	Lot	Lot (Lot)	331705 (216817)	Lot (Lot)	- (-)	Lot (Lot)	- (-)	Lot (Lot)	657641 (296087)
Total			331705 (11580705)		- (-)		- (-)		657641 (14077461)

	Year ended March 31, 2010 Rs.	Year ended March 31, 2009 Rs.
6. Earning in Foreign Exchange : F.O.B. Value of Exports	657641	14077461
7. Movement of provision for taxation		
Opening Balance	1627600	1104000
Addition during the year	640000	1195000
	<u>2267600</u>	<u>2299000</u>
Less : Payment/adjustment	432600	671400
Closing Balance	<u>1835000</u>	<u>1627600</u>
8. Previous year's figures have been regrouped/rearranged wherever necessary.		

9. Additional information pursuant to the provisions of Schedule VI after Part III of the Companies Act, 1956 vide Notification No 3/24/94-CL-V(a) dated 15-5-1995

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details		State Code		21
	Registration No.	25330		
Balance Sheet Date	31-3-2010			
II. Capital raised during the year (Amount in Rs. thousands)				
Public Issue	- Nil	Rights Issue	-	Nil
Bonus Issue	- Nil	Private Placement	-	Nil
III. Position of Mobilisation and Deployment of Fund (Amount in Rs. thousands)				
Total Liabilities	- 19663*	Total Assets	-	19663
Source of Funds :				
Paid-up Capital	- 500	Reserves & Surplus	-	19163
Secured Loans	- Nil	Unsecured Loans	-	Nil
Application of Funds :				
Net Fixed Assets	- 40	Investments	-	Nil
Net Current Assets	- 19623*	Misc. Expenditure	-	Nil
Accumulated Losses	- Nil			
* Net of Deferred Tax Liability				
IV. Performance of Company (Amount in Rs. thousands)				
Turnover	- 2569**	Total Expenditure	-	516
Profit/Loss Before Tax	- 2053	Profit/Loss After Tax	-	1424
Earning per Share in Rs	- 28.48	Dividend rate %	-	Nil
** including other income				
V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)				
Item Code No (ITC Code)	840991			
Product Description	Motor Parts			
Item Code No (ITC Code)	870323			
Product Description	Engines			
Item Code No (ITC Code)	870300			
Product Description	Motor Cars			

In terms of our attached Report of even date.

G. Basu & Co.

Chartered Accountants

Registration No. 301174E

J N Dhar

Partner

Membership No. 007117

3, Chowringhee Approach

Kolkata - 700 072

Date : April 26, 2010

S. P. SINGHI
K. K. CHOUDHURY
DIRECTORS

Directors' Report of Hindustan Motors Limited, USA for the year April, 2009 to March, 2010

To the Shareholders,

Your Directors hereby present their report together with the Audited Accounts of the Company for the year ended 31st March, 2010.

The business of the Company was adversely affected during global melt down and the unprecedented down turn in the automobile industry particularly in the Detroit and Michigan area which were the focus markets for the Company. Even after initial signs of revival in the economy business opportunities are yet to open up and growth prospects in the near term, in the Detroit area are expected to be modest. Keeping this scenario in mind and as a precautionary measure the Company had reduced its employee strength to nil.

In view of the limited prospects in the medium term horizon the Board of Directors of the Company have decided on dissolution of the Company and shall take necessary steps after payment of all liabilities, compliance of all necessary formalities and adherence to all applicable laws, rules and regulations.

The Company had no business transactions or operations during the year under review and hence Profit & Loss Account did not show any operating profit/loss for the year.

The attached Accounts of the Company have been audited by G. Basu & Co., Chartered Accountants.

On behalf of the Board

Maneesh Agarwal

Robert (Bob) Lewis

Directors

28th April, 2010

Auditors' Report to the Members of Hindustan Motors Limited, USA

We have verified the attached Balance Sheet of Hindustan Motors Limited, USA incorporated in USA as at 31st March, 2010 and its Profit and Loss Account for the year ended on that date all being made out in accordance with the requirements of Indian Companies Act, 1956 from the financial statements prepared by the Management. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform our work 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 statement. 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.

- I. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the annexure a statement of the matters specified therein.
- II. We hereby report that -
 - a) Proper returns necessary for making out the accounts in accordance with the requirement of Indian Companies Act, 1956 were received by us.
 - b) We have obtained the information and explanations which to the best of our knowledge and belief were necessary for the purpose of audit.
 - c) Proper books of account have been kept by the body corporate.
 - d) The Balance Sheet and Profit & Loss Account dealt with by this report have been made out from the figures which are in agreement with the books of account.
 - e) Balance Sheet and Profit & Loss Account have been prepared in due compliances of accounting standards to the extent applicable referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - f) As has been informed to us by the Management none of its directors of the body corporate is disqualified for the office of director within the meaning of Section 274 (1)(g) Indian Companies Act, 1956.
 - g) In our opinion and according to the information and explanations given to us, the accounts as made out herein read with other notes appearing in Schedule 9 give the information required by the Companies Act, 1956, in the manner so required to the extent possible and practicable and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - i. In the case of Balance Sheet, of the State of Affairs of the body corporate as at 31st March, 2010;
 - ii. There is neither profit nor loss of the body corporate for the year ended on that date.

For **G. Basu & Co.**
Chartered Accountants
Registration No. 301174E
(P.K. Chaudhuri)
Partner
(M.No. 003814)

Place : Kolkata
Date : 28.04.2010

Annexure to the Auditors' Report

as referred to in Para-1 of the Report of even date.

- i) The body corporate has no fixed assets during the year. As such Clause-4 (i) of the Order is not applicable.
- ii) The body corporate does not have any inventory accordingly Clause-4(ii) of the Order is not applicable.
- iii) (a) The body corporate has not taken any loan secured or unsecured from any Directors or Firm or other parties covered in the Register maintained u/s 301 of Indian Companies Act, 1956. However, it has taken interest free unsecured loan, repayable on demand, from its Holding Company. The repayment of term loan has so far not been demanded. The terms and conditions of the loan are not prima facie prejudicial to the interest of the body corporate. Year end due against the loan amounts to Rs.95.96 lacs which is also the maximum balance due during the year.

(b) The body corporate has not given any loan secured or unsecured to any directors, Company, Firms and other parties in which the directors are interested.
- iv) According to the information and explanations given to us, there is adequate internal control system commensurate with the size of the body corporate and the nature of its business for purchase of inventory and fixed assets and for the sale of goods. No major weakness has been reported in internal control. However, there has been no purchase of inventory and fixed assets and sale of goods and services during the year.
- v) The body corporate has not accepted any deposit within the meaning of Acceptance of Deposit Rules framed under Section 58A and 58(AA) of the Indian Companies Act, 1956.
- vi) Internal audit system is yet to be introduced in the body corporate.
- vii) Section 209(1)(d) of the Indian Companies Act, 1956 is not applicable to the body corporate.
- viii) The body corporate has no undisputed statutory dues at the end of the year.
- ix) The body corporate has no disputed statutory dues which has not been deposited.
- x) Accumulated loss of the body corporate is more than the net worth of the Company. The body corporate has not sustained any cash loss in the current year but sustained cash loss in preceding financial year.
- xi) No fraud on or by the body corporate has been reported in respect of the year under audit.
- xii) Other clauses of the Order are not applicable to the body corporate.

Place : Kolkata
Date : 28.04.2010

For **G. Basu & Co.**
Chartered Accountants
Registration No. 301174E
(P.K. Chaudhuri)
Partner
(M.No. 003814)

Balance Sheet as at March 31, 2010

	Schedule	31st March, 2010 INR	31st March, 2009 INR
SOURCES OF FUNDS			
A. Share Capital	1	15,864,000	15,864,000
B. Unsecured Loans	2	9,595,870	10,830,961
TOTAL		<u>25,459,870</u>	<u>26,694,961</u>
APPLICATION OF FUNDS			
C. CURRENT ASSETS, LOANS & ADVANCES			
Sundry Debtors	3	1,593,036	1,798,076
		<u>1,593,036</u>	<u>1,798,076</u>
D. LESS : CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	4	3,257,314	3,676,565
		<u>3,257,314</u>	<u>3,676,565</u>
NET CURRENT ASSETS		<u>(1,664,278)</u>	<u>(1,878,489)</u>
E. PROFIT AND LOSS ACCOUNT-DEBIT BALANCE		28,556,014	28,556,014
F. FOREIGN CURRENCY TRANSLATION RESERVE		(1,431,866)	17,436
		<u>25,459,870</u>	<u>26,694,961</u>
ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	9		

Schedules 1 to 4 and 9 referred to above form an integral part of the Balance Sheet

As per our report of even date.

G. Basu & Co.
Chartered Accountants
Registration No. 301174E
Per **P. K. Chaudhuri**
Partner
Membership No.003814
3 Chowringhee Approach
Kolkata - 700 072
Dated : April 28, 2010

As Approved,
For and on behalf of the Board of Directors

Maneesh Agarwal
Director

Profit & Loss Account for the year ended 31st March, 2010

	Schedule	2009-2010 INR	2008-2009 INR
INCOME			
Sales and Services	5	-	11,644,842
Other Income	6	-	(356,247)
		<u>-</u>	<u>11,288,595</u>
EXPENDITURE			
Payment for services to Holding Company		-	1,150,573
Salaries & Wages		-	8,031,708
Other Expenses	7	-	3,097,671
Miscellaneous Expenses	8	-	2,420,520
		<u>-</u>	<u>14,700,472</u>
PROFIT BEFORE INTEREST, DEPRECIATION AND TAXATION		<u>-</u>	<u>(3,411,877)</u>
Depreciation		-	290,137
Profit/(Loss) for the year		-	(3,702,014)
Profit/(Loss) brought forward from previous year		-	(24,854,000)
PROFIT / (LOSS) BEFORE TAXATION TRANSFERRED		<u>-</u>	<u>(28,556,014)</u>

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 9

Schedules 5 to 8 and 9 referred to above form an integral part of the Profit & Loss Account.

As per our report of even date.

G. Basu & Co.

Chartered Accountants

Registration No. 301174E

Per **P. K. Chaudhuri**

Partner

Membership No.003814

3 Chowringhee Approach

Kolkata - 700 072

Dated : April 28, 2010

As Approved,
For and on behalf of the Board of Directors

Maneesh Agarwal

Director

Schedules to the Balance Sheet

	31st March, 2010 INR	31st March, 2009 INR
SCHEDULE 1 : SHARE CAPITAL		
100000 shares of USD four each	<u>15,864,000</u>	<u>15,864,000</u>
The entire shares are held by Holding Company		
 SCHEDULE 2 : UNSECURED LOANS		
SHORT TERM		
From Holding Company	<u>9,595,870</u>	<u>10,830,961</u>
 SCHEDULE 3 : SUNDRY DEBTORS		
Considered good except otherwise stated:		
(a) Debts outstanding for a period exceeding six months		
Unsecured	<u>1,593,036</u>	<u>-</u>
(b) Other Debts		
Unsecured	<u>-</u>	<u>1,798,076</u>
	<u>1,593,036</u>	<u>1,798,076</u>
Includes Holding Company-\$33941 Rs.1532097.		
 SCHEDULE 4 : CURRENT LIABILITIES & PROVISIONS		
A. CURRENT LIABILITIES		
Sundry Creditors for goods, services & expenses etc.	2,888,069	3,259,794
Holding Company	<u>369,245</u>	<u>416,771</u>
	<u>3,257,314</u>	<u>3,676,565</u>

Schedules to the Profit & Loss Account

	2009-2010 INR	2008-2009 INR
SCHEDULE 5 : SALES AND SERVICES		
* Services	-	11,644,842
	<hr/>	<hr/>
SCHEDULE 6 : OTHER INCOME		
Surplus on Fixed Assets discarded	-	(356,247)
	<hr/>	<hr/>
SCHEDULE 7 : OTHER EXPENSES		
Rent and Hire Charges	-	398,245
Vehicle Expenses	-	318,388
Insurance	-	883,513
Bad debts	-	1,089,956
Commission	-	407,569
	<hr/>	<hr/>
	-	3,097,671
	<hr/>	<hr/>
SCHEDULE 8 : MISCELLANEOUS EXPENSES WRITTEN OFF		
Travelling	-	91,251
Visa and Relocation	-	117,989
Telephone and Internet	-	144,950
Printing and Stationery	-	148,954
Postage, Courier and Bank charges	-	43,560
Professional fees	-	1,873,816
	<hr/>	<hr/>
	-	2,420,520
	<hr/>	<hr/>

Schedule to the Balance Sheet and Profit & Loss Account

SCHEDULE 9 : ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1) Accounting Policies

i) Basis of preparation of the financial statements

The Company prepares its accounts on accrual basis in accordance with the normally accepted accounting principles in India, mandatory accounting standards and the relevant provisions of the Companies Act, 1956

ii) Receivables

Receivables are stated at cost less allowance for doubtful debts. Known bad debts are written off and specific allowance is made for any debts considered to be doubtful of collection.

iii) Payables

Payables are stated at cost.

iv) Revenue recognition

Revenue is recognised when services are performed.

v) Foreign Currency Transactions

The accounts are translated in Indian Rupees as follows

- Revenue transactions are translated at the average rate of month end of opening month and month end of closing month.
- Share capital is retained at the initial value, to the extent of initial contribution amount.
- Current assets and current liabilities are translated at rates prevailing on the date of Balance Sheet.
- The resultant differences are accounted as Foreign Currency Translation Reserve in Balance Sheet.

vi) Share Capital

Shares are stated at nominal value.

2) NOTES ON ACCOUNTS

i) Income and Expenditure in Foreign currency

The Company has not transacted any business during the year ended 31st March, 2010. As such there was no revenue income as well as revenue expenses for the year ended on that date.

ii) Amount owing to Holding Company

This is unsecured, interest free and with no fixed terms of repayment.

The holding company is Hindustan Motors Limited, a company incorporated in India.

SCHEDULE 9 : ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

iii) **Related party disclosures**

Name of the related party where control exists Hindustan Motors Limited (Holding Company). Transactions with Hindustan Motors Limited.

Nature of transaction	Amount (Rs.)
Creditors	369245 (416771)
Debtors	1532097 (1729294)
Loan Taken	9595870 (10830961)

iv) Due to absence of taxable income no deferred tax has been recognized as a matter of prudence.

v) **Cash Flow Statement**

Since the Company is not having any revenue income nor revenue expenses as well as there is no change in the Sources and Applications of Funds except change in Foreign Currency Translation Reserve as at 31st March, 2010, Cash Flow Statement does not form part of the financial statement.

Signatures to Schedules 1 to 9

As per our report of even date.

G. Basu & Co.

Chartered Accountants

Registration No. 301174E

Per P. K. Chaudhuri

Partner

Membership No.003814

3 Chowringhee Approach

Kolkata - 700 072

Dated : April 28, 2010

As Approved,
For and on behalf of the Board of Directors

Maneesh Agarwal
Director

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF HINDUSTAN MOTORS LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF HINDUSTAN MOTORS LIMITED, ITS SUBSIDIARY COMPANIES AND THE ASSOCIATE COMPANY

1. We have audited the attached Consolidated Balance Sheet of Hindustan Motors Limited ("Company"), its subsidiary companies and the associate company, as at March 31, 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 the subsidiaries, whose financial statements reflect total assets of Rs. 807.27 lacs as at March 31, 2010, the total revenue of Rs. 4982.26 lacs and cash flows amounting to Rs. (168.99) lacs for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the reports of the 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 Standards (AS) 21, Consolidated Financial Statements and Accounting Standard (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements, notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended)
5. Based on our audit and on the basis of information and explanations given to us, and also based on the consolidation of the separate audit reports on the individual audited financial statements of Hindustan Motors Limited, its subsidiaries and associate, the consolidated statements of account, read together with the 'Notes' appearing on Schedule 23, 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 consolidated state of affairs of Hindustan Motors Limited, its subsidiary companies and the associate company as at March 31, 2010;
 - b. in the case of the Consolidated Profit and Loss Account, of the consolidated loss of Hindustan Motors Limited, its subsidiary companies and the associate company for the year then ended; and
 - c. in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of Hindustan Motors Limited, its subsidiary companies and the associate company for the year then ended.

For **S.R. BATLIBOI & CO.**

Regn. No.: 301003E

Chartered Accountants

Per Raj Agrawal

Partner

Membership No.: 82028

Place: New Delhi

Date: May 1, 2010

CONSOLIDATED BALANCE SHEET OF HINDUSTAN MOTORS LIMITED AND
ITS SUBSIDIARY COMPANIES AS AT MARCH 31, 2010

	Schedule	Rupees in lacs	
		March 31, 2010	March 31, 2009
SOURCES OF FUNDS			
A. SHAREHOLDERS' FUNDS			
a. Share Capital	1	16125.68	16125.68
b. Reserves & Surplus	2	1114.24	1212.44
		<u>17239.92</u>	<u>17338.12</u>
B. LOANS	3		
a. Secured		3069.27	4043.18
b. Unsecured		5723.31	7114.53
		<u>8792.58</u>	<u>11157.71</u>
C. DEFERRED PAYMENT LIABILITIES	4	837.61	1225.47
D. DEFERRED TAX LIABILITY (Refer Note No. 7 on Schedule 23)	5	1779.96	0.64
		<u>28650.07</u>	<u>29721.94</u>
APPLICATION OF FUNDS			
A. FIXED ASSETS	6		
a. Gross Block		48038.10	48128.53
b. Less : Accumulated Depreciation		34132.89	32727.67
c. Net Block		13905.21	15400.86
d. Capital work-in-progress		426.76	371.62
		<u>14331.97</u>	<u>15772.48</u>
B. INVESTMENTS	7	10168.68	9474.92
C. DEFERRED TAX ASSET		0.97	0.31
D. CURRENT ASSETS, LOANS & ADVANCES			
a. Inventories	8	7362.23	7492.53
b. Sundry Debtors	9	1257.37	1646.43
c. Cash and Bank Balances	10	4213.33	1102.05
d. Other Current Assets	11	40.42	49.70
e. Loans & Advances	12	4220.83	4659.95
		<u>17094.18</u>	<u>14950.66</u>
E. LESS : CURRENT LIABILITIES & PROVISIONS	13		
a. Current Liabilities		21989.73	16255.45
b. Provisions		638.95	922.20
		<u>22628.68</u>	<u>17177.65</u>
NET CURRENT ASSETS		<u>(5534.50)</u>	<u>(2226.99)</u>
F. MISCELLANEOUS EXPENDITURE	14	—	1302.80
G. PROFIT & LOSS ACCOUNT DEBIT BALANCE		9682.95	5398.42
		<u>28650.07</u>	<u>29721.94</u>

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 23

Schedules 1 to 14 and 23 referred to above form an integral part of the Balance Sheet

As per our report of even date.

S.R. Batliboi & Co.
Registration Number - 301003E
Chartered Accountants
Per **Raj Agrawal**
a Partner
Membership No.: 82028
Place: New Delhi
May 01, 2010

Yogesh Goenka
Chief Financial Officer &
Company Secretary

As Approved,
For and on behalf of the Board of Directors

C. K. Birla
Chairman

R. Santhanam
Managing Director

CONSOLIDATED PROFIT & LOSS ACCOUNT OF HINDUSTAN MOTORS LIMITED AND
ITS SUBSIDIARY COMPANIES FOR THE YEAR ENDED MARCH 31, 2010

	Schedule	Rupees in lacs	
		2009-2010	2008-2009
INCOME			
Sales & Services	15	74592.11	77601.31
Less : Excise Duty		12100.89	13901.12
Sales Tax & Value Added Tax		4801.31	3426.02
		<u>57689.91</u>	<u>60274.17</u>
Other Income	16	6644.34	6467.29
		<u>64334.25</u>	<u>66741.46</u>
EXPENDITURE			
(Increase) / Decrease in Stocks	17	(96.17)	774.11
Excise duty on Stocks (Refer Note No.12 on Schedule 23)		121.60	(120.77)
Raw Materials and Components Consumed	18	40931.82	39754.24
Stores & Spares Consumed		1327.07	1096.88
Job charges to Contractors		392.73	205.00
Purchase of Trading Goods		4806.09	6252.46
Fuel & Electricity (Net)		1486.48	1291.62
Payments to and Provisions for Employees	19	7150.22	7600.66
Other Expenses	20	8503.15	10455.90
Directors' Remuneration		91.71	82.63
		<u>64714.70</u>	<u>67392.73</u>
LOSS BEFORE INTEREST, DEPRECIATION & TAXATION			
		<u>380.45</u>	<u>651.27</u>
Interest	21	1081.00	1216.64
Depreciation	22	1766.66	2069.06
		<u>2847.66</u>	<u>3285.70</u>
LOSS BEFORE TAXATION			
		<u>3228.11</u>	<u>3936.97</u>
Provision for Taxation			
Current Tax		54.59	31.21
Fringe Benefit Tax		—	65.46
Deferred Tax Charge		1778.67	(0.37)
Excess Tax Provision Written Back		(9.97)	(430.54)
		<u>1823.29</u>	<u>(334.24)</u>
LOSS AFTER TAXATION			
		<u>5051.40</u>	<u>3602.73</u>
Add/Less: Proportionate Share of Profit / (Loss) of the Associate Company		766.87	(175.45)
		<u>4284.53</u>	<u>3778.18</u>
Add: Loss Brought forward from Previous year		5398.42	1620.24
Loss carried to Balance Sheet		<u>9682.95</u>	<u>5398.42</u>
Earning per share - Basic and Diluted (Rs.)		-2.66	-2.34
Nominal value per share (Rs.)		10.00	10.00
(Refer Note No.16 on Schedule 23)			

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 23

Schedules 15 to 23 referred to above form an integral part of the Profit & Loss Account

As per our report of even date.

S.R. Batliboi & Co.
Registration Number - 301003E
Chartered Accountants
Per **Raj Agrawal**
a Partner
Membership No.: 82028
Place: New Delhi
May 01, 2010

Yogesh Goenka
Chief Financial Officer &
Company Secretary

As Approved,
For and on behalf of the Board of Directors

C. K. Birla
Chairman

R. Santhanam
Managing Director

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

	Rupees in lacs	
	2009-2010	2008-2009
(A) CASH FLOW FROM OPERATING ACTIVITIES :		
NET LOSS BEFORE TAXATION	(3228.11)	(3936.97)
ADJUSTMENTS FOR :		
Depreciation	1766.66	2069.06
Deferred Revenue Expenditure	1302.80	795.16
Interest Income	(130.87)	(40.85)
Interest Expenses	1081.00	1216.64
Unrealised Foreign Exchange loss (Net)	65.54	74.72
Profit on Fixed Assets Sold/Discarded	(5238.52)	(5697.89)
Dividend Income	(20.15)	(159.83)
Surplus on Sale of Investments	(647.38)	—
OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES	(5049.03)	(5679.96)
Increase/ (Decrease) in Trade Payables	5082.65	(1841.68)
Decrease in Trade & Other Receivables	518.81	2445.19
Decrease in Inventories	130.30	712.23
CASH USED IN OPERATIONS	682.73	(4364.22)
Add: Direct Tax (Paid) / Refund received (Net)	227.28	(148.93)
NET CASH FLOW FROM OPERATING ACTIVITIES	910.01	(4513.15)
(B) CASH FLOW FROM INVESTING ACTIVITIES :		
Sale of Fixed Assets	5594.70	6146.13
Dividend Received	20.15	159.83
Proceeds from Sale of Investments	720.69	—
Interest received from Fixed Deposits	108.10	0.74
Purchase of Fixed Assets (Including Capital Advances)	(766.22)	(1580.70)
Investment in Fixed Deposits with Banks (Maturity period above 3 months)	(1167.00)	—
Investment in a Company	0.20	—
NET CASH FLOW FROM INVESTING ACTIVITIES	4510.62	4726.00
(C) CASH FLOW FROM FINANCING ACTIVITIES		
Net Increase / (Decrease) from Short Term Borrowings	(819.25)	2205.53
Repayment of Long Term Loans	(1555.45)	(1596.57)
Interest Paid (Net of Interest Received)	(1101.65)	(1167.47)
NET CASH USED IN FINANCING ACTIVITIES	(3476.35)	(558.51)
NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C)	1944.28	(345.66)
CASH & CASH EQUIVALENTS - OPENING BALANCE	1102.05	1447.71
CASH & CASH EQUIVALENTS - CLOSING BALANCE	3046.33	1102.05
CASH & CASH EQUIVALENTS - BALANCE AS PER SCHEDULE -10	4213.33	1102.05
Less: Fixed Deposits with Banks having maturity period of more than 3 months	1167.00	—
CASH & CASH EQUIVALENTS - CLOSING BALANCE as represented above	3046.33*	1102.05

* Includes Rs. 1.95 lacs (Rs.1.95 lacs) lying in unpaid Dividend Account having restrictive use and Rs. 2476.03 lacs (Rs.299.70 lacs) in Fixed Deposits & Margin Deposit with Banks.

As per our report of even date.

S.R. Batliboi & Co.
Registration Number - 301003E
Chartered Accountants
Per **Raj Agrawal**
a Partner
Membership No.: 82028
Place: New Delhi
May 01, 2010

Yogesh Goenka
Chief Financial Officer &
Company Secretary

As Approved,
For and on behalf of the Board of Directors

C. K. Birla
Chairman

R. Santhanam
Managing Director

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARY COMPANIES
SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

		Rupees in lacs	
		March 31, 2010	March 31, 2009
SCHEDULE 1 : SHARE CAPITAL			
Authorised:			
16,50,00,000	Equity Shares of Rs.10 each	16500.00	16500.00
(16,50,00,000)			
55,00,000	Unclassified Shares of Rs.100 each	5500.00	5500.00
(55,00,000)			
		<u>22000.00</u>	<u>22000.00</u>
Issued:			
16,15,89,297	Equity Shares of Rs.10 each	16158.93	16158.93
(16,15,89,297)			
Subscribed & Paid-up:			
16,11,71,993	Equity Shares of Rs.10 each fully paid up	16117.20	16117.20
(16,11,71,993)			
	Add: Forfeited Shares (Amount originally paid up)	8.48	8.48
		<u>16125.68</u>	<u>16125.68</u>

Note : Issued and Subscribed & Paid-up Capital includes 1,53,59,409 Equity Shares issued and allotted as fully paid up Bonus shares by Capitalisation of Capital Redemption Reserve & General Reserve and 5,34,22,010 Equity Shares issued and allotted as fully paid-up upon conversion of Fully Convertible Debentures.

SCHEDULE 2 : RESERVES & SURPLUS

CAPITAL RESERVE

a)	Net Surplus on Revaluation of Fixed Assets		
	As per last account	885.16	987.55
	Less: Adjustment towards assets sold	101.20	101.32
	Less: Transfer to Depreciation Account	1.07	1.07
		<u>782.89</u>	<u>885.16</u>
b)	Others :		
	As per last Account	3.53	3.53
		<u>786.42</u>	<u>888.69</u>

SECURITIES PREMIUM

As per last account	<u>317.28</u>	<u>317.28</u>
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CENTRAL SUBSIDY

As per last account	<u>15.00</u>	<u>15.00</u>
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FOREIGN CURRENCY TRANSLATION RESERVE

(Refer Note No.1(e) on Schedule 23)	<u>(4.46)</u>	<u>(8.53)</u>
	<u>1114.24</u>	<u>1212.44</u>

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARY COMPANIES
SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

	Rupees in lacs	
	March 31, 2010	March 31, 2009
SCHEDULE 3 : LOANS		
SECURED : (Note No.5 on Schedule 23)		
From Financial Institutions :		
Term Loans	369.03	1634.46
From Scheduled Banks :		
Term Loans	2389.63	1679.65
Cash Credits	301.01	729.04
Interest accrued and due	9.60	0.03
	<u>3069.27</u>	<u>4043.18</u>
UNSECURED :		
LONG TERM		
Sales Tax Deferral Credit	4178.98 *	4178.98
SHORT TERM		
From Scheduled Banks :		
Foreign Currency Loans	—	1170.23
From Bodies Corporate	1288.33	1580.00
Security & Other Deposits	256.00	185.32
	<u>1544.33</u>	<u>2935.55</u>
	<u>5723.31</u>	<u>7114.53</u>
	<u>8792.58</u>	<u>11157.71</u>
* Includes Rs.1070.83 lacs (Rs.Nil) due for payment within one year.		
SCHEDULE 4 : DEFERRED PAYMENT LIABILITIES		
Voluntary Retirement Schemes	837.61*	1225.47
* Includes Rs.318.86 lacs (Rs.458.41 lacs) due for payment within one year.		
SCHEDULE 5 : DEFERRED TAX LIABILITY		
Balance as per last account	0.64	0.70
Add/(Less): Deferred Tax Credit for the year	1779.32	(0.06)
	<u>1779.96</u>	<u>0.64</u>

**HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARY COMPANIES
SCHEDULE TO THE CONSOLIDATED BALANCE SHEET**

SCHEDULE 6 : FIXED ASSETS

Rupees in lacs

DESCRIPTION OF ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at March 31, 2009	Additions	Sales / Adjustments	As at March 31, 2010	Upto March 31, 2009	For the year	Less: On Sales/ Adjustments	Upto March 31, 2010	As at March 31, 2010	As at March 31, 2009
TANGIBLE ASSETS										
GOODWILL	0.05	-	-	0.05	0.05	-	-	0.05	-	-
FREE HOLD LAND	1017.95	-	315.07	702.88	-	-	-	-	702.88	1017.95
LEASE HOLD LAND	35.83	-	-	35.83	8.06	0.37	-	8.43	27.40	27.77
BUILDINGS	9317.11	81.08	-	9398.19 (a)	4827.14	218.48	-	5045.62	4352.57	4489.97
MACHINERY & EQUIPMENT	35702.26	173.16	284.69	35990.73	26939.74	1320.56	249.82	28010.48	7580.25	8762.52
FURNITURE & FITTINGS	686.35	24.33	26.83	683.85	508.98	22.37	15.04	516.31	167.54	177.37
VEHICLES	677.95	380.14	193.34	864.75	299.48	100.44	97.65	302.27	562.48	378.47
	47437.50	658.71	819.93	47276.28	32583.45	1662.22	362.51	33883.16	13393.12	14854.05
INTANGIBLE ASSETS										
SOFTWARE	45.95	-	-	45.95	5.87	8.41	-	14.28	31.67	40.08
TECHNICAL KNOW-HOW	645.08	70.79	-	715.87	138.35	97.10	-	235.45	480.42	506.73
	691.03	70.79	-	761.82	144.22	105.51	-	249.73	512.09	546.81
CAPITAL WORK IN PROGRESS	48128.53	729.50 (b)	819.93	48038.10	32727.67	1767.73	362.51	34132.89	13905.21	15400.86
	371.62	101.20	46.06	426.76 (d)	-	-	-	-	426.76	371.62
TOTAL	48500.15	830.70	865.99 (c)	48464.86 (e)	32727.67	1767.73	362.51	34132.89	14331.97	15772.48
PREVIOUS YEAR'S TOTAL	49182.12	1702.05	2384.02	48500.15	32192.77	2070.13	1535.23	32727.67	15772.48	16989.35

NOTES: (a) Includes Rs. 4.50 Lacs (Rs. 4.50 Lacs) being the value of shares in Co-operative Housing Societies.

(b) Includes Capital Expenditure on Scientific Research Rs.0.64 Lacs (Rs. 17.44 Lacs).

(c) Includes Rs. NIL (Rs.745.32 Lacs) being the value of assets discarded

(d) Includes Materials at site, in Transit and Assets not brought into use.

(e) Includes proportionate cost of a part of Building (on leasehold land) and Other Assets amounting to Rs.79.57 Lacs (Rs. 79.57 Lacs) held in Joint Ownership basis with others at Kolkata.

(f) Land & Buildings of Uttarpara Unit were revalued during the year ended 31.03.84 and the resulting Surplus thereon, was transferred to Revaluation Reserve.

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARY COMPANIES
SCHEDULE TO THE CONSOLIDATED BALANCE SHEET

			Rupees in lacs	
			March 31, 2010	March 31, 2009
SCHEDULE 7 : INVESTMENTS (At Cost)	Number of Shares	Face Value Per Share Rs.		
LONG TERM (OTHER THAN TRADE)(FULLY PAID)				
* GOVERNMENT SECURITIES (UNQUOTED) :				
12 Year National Planning Certificates			0.02	0.02
12 Year National Defence Certificates			0.02	0.02
National Savings Certificates			0.06	0.06
			<u>0.10</u>	<u>0.10</u>
QUOTED				
ORDINARY SHARES				
Hyderabad Industries Ltd.	— (122188)		—	73.31
UNQUOTED				
ORDINARY SHARES				
Birla Buildings Ltd.	30000 (30000)	10	3.00	3.00
Pithampur Auto Cluster Ltd.	50000 (50000)	10	5.00	5.00
Bengal Shriram Hitech City Private Ltd.	2000 (-)	10	0.20	—
AVTEC Ltd. (a company under the same management) **	12250000 (12250000)	10	7462.71	7462.71
Less: Capital Reserve			552.75	552.75
			6909.96	6909.96
Add : Share of post acquisition Profit:			3250.42	2483.55
			<u>10160.38</u>	<u>9393.51</u>
			<u>10168.58</u>	<u>9401.51</u>
			<u>10168.68</u>	<u>9474.92</u>
AGGREGATE VALUE OF INVESTMENTS :				
			<u>Cost</u>	<u>Cost</u>
Quoted			—	73.31
Unquoted			10168.68	9401.61
			<u>10168.68</u>	<u>9474.92</u>
				<u>Market Value</u>
				140.58

* Includes securities worth Rs.0.06 lacs (matured but pending encashment) lodged with Government Departments.

** Being an associate of the Company.

Note:

In case of investments in Associate, the Goodwill / Capital Reserve arising on the date of acquisition, has been adjusted in cost, in terms of Accounting Standard - 23.

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARY COMPANIES
SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

	Rupees in lacs	
	March 31, 2010	March 31, 2009
SCHEDULE 8 : INVENTORIES		
At lower of cost and net realisable value		
Stores & Spares	138.57	144.06
Loose Tools	139.55	142.01
Raw Materials and Components	4145.76	4364.28
Goods under process	877.83	1301.37
Finished Goods	711.16	471.88
Trading Goods	1349.36	1068.93
	7362.23 *	7492.53

* Includes materials lying with third parties / in Bond and in transit Rs.1731.71 lacs (Rs.2761.99 lacs).

SCHEDULE 9 : SUNDRY DEBTORS
Considered good except otherwise stated :

(a) Debts outstanding for a period exceeding six months :		
Secured	3.99	20.50
Unsecured	210.00 *	249.52
	213.99	270.02
(b) Other Debts :		
Secured	34.42	44.04
Unsecured	1161.07	1476.94
	1195.49	1520.98
	1409.48	1791.00
Less: Provision for doubtful debts	152.11	144.57
	1257.37	1646.43

* Includes considered doubtful Rs.152.11 lacs (Rs.144.57 lacs).

SCHEDULE 10 : CASH & BANK BALANCES

Cash-on-hand	6.65	15.79
Remittances in transit	262.74	504.18
With Scheduled Banks on :		
Fixed Deposit Account	3641.89	219.97
Current Account	298.95	280.43
Margin Deposit Account	1.15	79.73
Unpaid Dividend	1.95 *	1.95
	4213.33	1102.05

* Amount not deposited as the cases are sub-judice.

SCHEDULE 11 : OTHER CURRENT ASSETS

Unsecured :

Considered good except otherwise stated :

Interest accrued on Deposits	38.13	2.77
Export Incentives receivable	8.27	9.64
Insurance & Other Claims receivable	415.84	459.20
	462.24 *	471.61
Less: Provision for doubtful claims	421.82	421.91
	40.42	49.70

* Includes considered doubtful Rs.421.82 lacs (Rs.421.91 lacs).

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARY COMPANIES
SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

Rupees in lacs
March 31, 2010 March 31, 2009

SCHEDULE 12 : LOANS & ADVANCES

Unsecured :

Considered good except otherwise stated :

Advances against Capital Contracts	162.46	184.23
Other Advances Recoverable in cash or in kind or for value to be received or pending adjustments	1082.10	1381.21
Loans / Advances to Officers*	—	0.33
Balance with Customs, Port Trust & Other Government Departments	346.07	231.26
Sales Tax, VAT and other Refunds receivable (including payments made under appeal)	2261.58	2258.37
Advance Payment of Income Tax & Refunds receivable (Net of Provision)	—	270.75
Deposits with Government Departments & Others	667.34	633.81
	<u>4519.55</u> **	<u>4959.96</u>
Less: Provision for doubtful advances	298.72	300.01
	<u>4220.83</u>	<u>4659.95</u>

* Maximum amount due from officers at any time during the year Rs.1.16 lacs (Rs.1.25 lacs).

** Includes considered doubtful Rs.298.72 lacs (Rs.300.01 lacs).

SCHEDULE 13 : CURRENT LIABILITIES & PROVISIONS

A. CURRENT LIABILITIES

Acceptances	5791.87	4165.91
Sundry Creditors for goods, services, expenses etc.		
Due to Micro & Small Enterprises (Refer Note No.18 on Schedule 23)	1596.75	1229.58
Due to Others	7915.67 *	7554.70
Advances against Sales/Orders	5197.33	1744.50
Investor Education and Protection Fund		
Unpaid Dividend	1.95 **	1.95
Other Liabilities	1468.41	1523.42
Interest accrued but not due:		
On Secured Loans	6.81	14.14
On Unsecured Loans	10.94	21.25
	<u>21989.73</u>	<u>16255.45</u>

* Includes Rs.938.94 lacs (Rs.1695.48 lacs) due to AVTEC Limited (a company under same management).

** Amount not deposited as the cases are sub-judice.

B. PROVISIONS

Warranties	250.27	219.49
Gratuity	97.65	448.38
Leave Liability	289.52	254.33
Taxation (Net of advance payment, tax at source etc.)	1.51	—
	<u>638.95</u>	<u>922.20</u>
	<u>22628.68</u>	<u>17177.65</u>

SCHEDULE 14 : MISCELLANEOUS EXPENDITURE

(To the extent not written off / adjusted)

DEFERRED REVENUE EXPENDITURE :

Voluntary Retirement Schemes	—	1302.80
	<u>—</u>	<u>1302.80</u>

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARY COMPANIES
SCHEDULES TO THE CONSOLIDATED PROFIT & LOSS ACCOUNT

	Rupees in lacs	
	2009-2010	2008-2009
SCHEDULE 15 : SALES & SERVICES		
Finished Goods	60927.62	66816.13
Trading Goods		
Vehicles	6887.81	4277.26
Service Parts (including own manufactured)	5825.21	5750.53
Job charges	595.82	297.48
Others	355.65	459.91
	<u>74592.11</u>	<u>77601.31</u>
SCHEDULE 16 : OTHER INCOME		
Dividend on Long Term Investments (Non Trade)	20.15	159.83
Interest on Debts, Deposits, Advances, Hirers etc. [Tax at source Rs.0.53 lacs (Rs.0.73 lacs)]	130.87	40.85
Insurance & Other Claims	46.67	12.22
Rent & Hire Charges	23.41	27.37
Miscellaneous Income	216.72	143.51
Unspent Liabilities and Provisions no longer required written back	320.62	385.62
Surplus on sale of Investments	647.38	—
Net surplus on Fixed assets sold/discarded. (Refer Note No.14 on Schedule 23)	5238.52	5697.89
	<u>6644.34</u>	<u>6467.29</u>
SCHEDULE 17 : (INCREASE) / DECREASE IN STOCKS		
Closing Stock:		
Goods under Process	877.83	1301.37
Finished Goods	711.16	471.88
Trading Goods	1349.36	1068.93
	<u>2938.35</u>	<u>2842.18</u>
Less: Opening Stock		
Goods under Process	1301.37	1414.76
Finished Goods	471.88	721.84
Trading Goods	1068.93	1479.69
	<u>2842.18</u>	<u>3616.29</u>
	<u>(96.17)</u>	<u>774.11</u>
SCHEDULE 18 : RAW MATERIALS AND COMPONENTS CONSUMED		
Opening Stock	4364.28	4272.35
Add: Purchases	40759.94	39885.70
	<u>45124.22</u>	<u>44158.05</u>
Less: Transferred to Fixed Assets & Other Accounts	6.85	4.59
Sales	39.79	34.94
Closing Stock	4145.76	4364.28
	<u>4192.40</u>	<u>4403.81</u>
	<u>40931.82</u>	<u>39754.24</u>
SCHEDULE 19 : PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages & Bonus	6074.63	6212.37
Contribution to Provident, Gratuity & Other Funds	668.99	986.87
Welfare Expenses	406.60	401.42
	<u>7150.22</u>	<u>7600.66</u>

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARY COMPANIES
SCHEDULES TO THE CONSOLIDATED PROFIT & LOSS ACCOUNT

	Rupees in lacs	
	2009-2010	2008-2009
SCHEDULE 20 : OTHER EXPENSES		
Rent & Hire Charges	257.83	216.14
Building Repairs	127.01	135.69
Machinery Repairs	266.20	308.47
Insurance	112.08	128.43
Rates & Taxes	221.46	221.75
Royalty	83.11	184.06
Selling Expenses, Advertisement, Claims (Net)	2436.26	3510.21
Delivery Charges, Freight & Transportation	687.70	770.91
Miscellaneous Expenses	2763.12	2722.07
Exchange Rate Difference (Net)	113.97	877.38
Directors' Travelling	22.94	39.04
Auditors' Remuneration:		
Audit fee	22.42	22.67
Tax audit fee	7.50	7.50
Limited review	13.20	13.20
Other services	11.38	9.42
Out of pocket expenses	3.69	2.93
Cost Auditor's Remuneration	3.50	1.75
Deferred Revenue expenditure written off	1302.80	795.16
Provision for Doubtful debts, Claims, Advances etc.	100.02	488.18
Less : Written Back	<u>54.09</u>	<u>18.59</u>
Irrecoverable Debts, Claims & Advances written off	40.82	39.02
Less : Adjusted against Provision	<u>39.77</u>	<u>19.49</u>
	<u>8503.15</u>	<u>10455.90</u>

SCHEDULE 21 : INTEREST

On Fixed Loans	254.37	529.52
To Banks & Others	826.63	687.12
	<u>1081.00</u>	<u>1216.64</u>

SCHEDULE 22 : DEPRECIATION

On Fixed Assets	1767.73	2070.13
Less: Transfer from Capital Reserve being additional Depreciation on revalued Fixed Assets	<u>1.07</u>	<u>1.07</u>
	<u>1766.66</u>	<u>2069.06</u>

SCHEDULE 23 : ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1. PRINCIPLES OF CONSOLIDATED FINANCIAL STATEMENTS :

The consolidated financial statement which relate to Hindustan Motors Ltd., its various subsidiary companies and the associate company have been prepared on the following basis :

- (a) 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 in accordance with Accounting Standard 21 "Consolidated Financial Statements" as notified by the Companies Accounting Standards Rules, 2006 (as amended).
- (b) The consolidated financial statements have been prepared using uniform accounting policies, except stated otherwise, for like transactions and are presented, to the extent possible, in the same manner as the Company's separate financial statements.
- (c) The excess of cost to the Company over its investments in the subsidiary companies is recognised in the financial statements as goodwill which is fully amortised.
- (d) The subsidiary companies considered in the financial statements are as follows :

Name	Country of Incorporation	% of Voting power as on 31.03.2010
Hindustan Motor Finance Corporation Ltd.	India	100
HM Export Ltd.	India	100
Hindustan Motors Ltd.	Delaware, U.S.A.	100

- (e) In terms of Accounting Standard 11 issued by the Institute of Chartered Accountants of India, exchange fluctuations on conversion of the accounts of foreign subsidiary have been taken to "Foreign Currency Translation Reserve" in Schedule 2.
- (f) The associate company considered in the financial statements is as follows :

Name	Country of Incorporation	% of Voting power as on 31.03.2010
AVTEC Limited	India	49

- (g) Investments in associate have been accounted for using the equity method in accordance with Accounting Standard (AS) 23 "Accounting for Investments in Associates in Consolidated Financial Statements" as notified by the Companies Accounting Standards Rules, 2006 (as amended).
- (h) The Company accounts for its share in the change in the net assets of the associate, post acquisition, after eliminating unrealised profit and losses resulting from the transactions between the Company and its associate to the extent of its share, through its Profit & Loss Account to the extent such change is attributable to the associate's Profit & Loss Account.
- (i) The difference between the cost of investment in the associate and the share of net assets at the time of acquisition of shares in associate is identified in the financial statements as Goodwill or Capital Reserve as the case may be.

2. ACCOUNTING POLICIES :

(I) Basis of Preparation :

The financial statements have been prepared to comply in all material aspects with the Notified Accounting Standards by Companies Accounting Standards Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. Except otherwise mentioned, the accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

(II) Revenue Recognition:

- (a) Revenue from sale of goods and services rendered is recognised upon passage of title and rendering of services to the customers.
- (b) Insurance and other claims, to the extent considered recoverable, are accounted for in the period of claim. However, claims and refunds whose recovery cannot be ascertained with reasonable certainty, are accounted for on acceptance basis.
- (c) Interest is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
- (d) Dividends are recognized when the shareholders' right to receive payment is established by the balance sheet date.

(III) Fixed Assets :

- (a) Fixed Assets are stated at cost of acquisition inclusive of duties (net of Cenvat and VAT), taxes, incidental expenses, erection/commissioning expenses and technical know-how fees etc. upto the date the asset is put to use, less accumulated depreciation and impairment losses, if any. In case of revaluation of fixed assets, the original cost as written up by the valuer is considered in the accounts and the differential amount is transferred to capital reserve.
- (b) Machinery spares which can be used only in connection with an item of fixed asset and whose use as per technical assessment is expected to be irregular, are capitalised and depreciated over the residual useful life of the respective assets.
- (c) The carrying amounts of assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on external/internal factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount which represents the greater of the net selling price and 'Value in use' of the respective assets. The estimated future cash flows considered for determining the value in use are discounted to their present value at the weighted average cost of capital.
- (d) Assets awaiting disposal are valued at lower of written down value and net realisable value and disclosed separately.

(IV) Foreign Currency Transactions :

(a) **Initial Recognition :**

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(b) **Conversion :**

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(c) **Exchange Differences :**

Exchange differences arising on the settlement/conversion of monetary items are recognised as income or expenses in the year in which they arise.

(d) **Forward Exchange contracts :**

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of respective contracts. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

(V) **Depreciation :**

- (a) Depreciation on Fixed Assets is provided on Straight Line Method at the rates specified in Schedule XIV of the Companies Act, 1956 or estimated useful life whichever is higher.
- (b) The classification of Plant and Machinery into continuous and non-continuous process is done as per technical certification and depreciation thereon is provided accordingly.
- (c) Technical Know-how fees included under the head "Intangible Assets" are amortised over the period of respective agreements / over the useful life of 10 years, whichever is lower. Other Intangible Assets are amortised over a period of three to five years.
- (d) Depreciation includes the amount amortised in respect of leasehold properties over the respective lease period.
- (e) Depreciation on revalued assets is provided at the rates specified under Section 205(2)(b) of the Companies Act, 1956 or estimated useful life, whichever is higher.
- (f) Depreciation on fixed assets added / disposed off during the year, is provided on pro-rata basis with reference to the month of addition / disposal.
- (g) In case of impairment, if any, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

(VI) **Fixed Assets acquired under leases :**

(a) **Finance Lease :**

Assets acquired under lease agreements which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to Expenses account.

Leased assets capitalised are depreciated over the shorter of the estimated useful life of the asset or the lease term.

(b) **Operating Lease :**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight line basis over the lease term.

(VII) **Intangibles :**

Technical know-how fees / acquired Computer software and licenses are capitalised on the basis of costs incurred to bring the specific intangibles to its intended use. These costs are amortised over their estimated useful lives.

(VIII) **Investments :**

- (a) Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments.
- (b) Current Investments are stated at lower of cost or market rate on individual investment basis. Long Term Investments are considered "at cost", unless there is other than temporary decline in value thereof, in which case, adequate provision is made against such diminution in the value of investments.

(IX) **Inventories :**

- (a) Inventories are valued at lower of cost, computed on annual weighted / moving average basis, and net realisable value except for HM Export Limited where inventories are valued at lower of cost computed on first in first out basis and net realisable value.

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- (b) The closing stock of materials inter-transferred from one unit to another is valued at cost of the transferor unit or net realisable value whichever is lower.
- (c) Net realisable value is the selling price in the ordinary course of business, less costs of completion and costs necessary to make the sale.
- (d) Cost of finished goods and work in progress include direct materials, labour and an appropriate proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.
- (X) **Excise Duty & Customs Duty :**
Excise Duty on Finished Goods stock lying at the factories is accounted for at the point of manufacture of goods and is accordingly considered for valuation of finished goods stock lying in the factories as on the Balance Sheet date. Similarly, Customs Duty on Imported Materials in transit / lying in Bonded Warehouse is accounted for at the time of import / bonding of materials.
- (XI) **Cash & Cash Equivalents :**
Cash and Cash equivalents in the cash flow statement comprise Cash at bank and in hand and short term investments with an original maturity of three months or less.
- (XII) **Derivative Instruments :**
As per ICAI announcement, derivative contracts, other than those covered under AS - 11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effects on the underlying hedge item, is charged to the income statement. Net gains are ignored.
- (XIII) **Research Cost :**
Research costs of revenue nature are charged to Profit & Loss Account, while capital expenditure are added to the cost of fixed assets in the year in which these are incurred.
- (XIV) **Retirement & other employee Benefits:**
- (a) **Defined Contribution plans :**
Company's contributions to Provident Fund and Superannuation Schemes are charged to Profit & Loss Account of the year when the contributions to the respective funds are due. The Company has no obligations other than the contributions payable to the respective trusts.
- (b) **Defined Benefit plans :**
Gratuity liability and compensated leave liability are provided for based on actuarial valuation made at the end of each financial year. The actuarial valuation is done on Projected Unit Credit method. Actuarial gains and losses are recognised immediately in the statement of Profit & Loss Account as income or expense.
- (c) In respect of the Voluntary Retirement Scheme (VRS), net present value of the future liabilities is treated as deferred revenue expense and is written off in such equal installments that expenditure so deferred, is not carried forward to accounting periods commencing on or after 1st April, 2010. The increase in the net present value of the future liabilities payable to employees, who have opted for retirement under the VRS of the Company is charged to the Profit & Loss Account.
- (XV) **Borrowing Costs :**
Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.
-

(XVI) Provisions :

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

Provisions made in terms of Accounting Standard 29 are not discounted to its present value and are determined based on the management estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

(XVII) Taxation :

- (a) Tax expenses comprise of current & deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred Income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.
- (b) The deferred tax is accounted for using the tax rates and laws that have been substantively enacted as of the Balance Sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred Tax assets and Deferred Tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. If the Company has carry forward unabsorbed depreciation and tax losses, deferred tax assets are recognised only to the extent there is virtual certainty supported by convincing evidence that sufficient taxable income will be available against which such deferred tax asset can be realised.
- (c) At each balance sheet date, the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.
- (d) Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Profit & Loss Account and shown as MAT Credit entitlement. The Company reviews the MAT credit at each Balance Sheet date and writes down the carrying amount to the extent there is no longer convincing evidence to the effect that the Company will pay normal income tax during the specified period.

(XVIII) Segment Reporting :

(a) Identification of Segments :

The Company has identified that its operating segments are the primary segments. The Company's operating businesses are organised and managed separately according to the nature of products, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which the customers of the Company are located.

(b) Allocation of Common Costs :

Common allocable costs are allocated to each segment on case to case basis applying the ratio appropriate to each relevant case. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segment on a reasonable basis, have been included under the head "Unallocated - Common".

The accounting policies adopted for segment reporting are in line with those of the Company.

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(XIX) Product related Warranty Claims :

Provision for product related warranty 'costs' is based on the claims received upto the year end as well as the management estimates of further liability to be incurred in this regard during the warranty period, computed on the basis of past trend of such claims.

(XX) Contingencies :

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed by way of Notes to the Accounts.

(XXI) Earnings per share :

Earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders, by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

(XXII) Use of Estimates :

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year-end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

	Rupees in lacs	
	March 31, 2010	March 31, 2009
3. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances).	277.53	133.18
4. Contingent Liabilities not provided for in respect of :		
(a) Claims & Government demands against the Company not acknowledged as debts.		
i) Excise Duty	5987.69	4619.53
ii) Sales Tax	10408.09	9311.94
ii) Customs Duty	362.87	409.69
iv) Others	1187.76	985.82

The Company does not expect any major impact to arise out of the above claims/demands.

Against the above claims/demands, payments have been made under protest and / or debts have been withheld by the respective parties, to the extent of Rs. 2531.80 lacs (Rs. 2565.31 lacs).

Included in the above are contingent liabilities to the extent of Rs. 1571.17 lacs (Rs.1604.07 lacs) relating to the pre transfer period of the erstwhile Power Unit Plant and Power Products Division of the Company, which were transferred to AVTEC Limited in June 2005. However, demands to the extent of Rs.1171.54 lacs (Rs. 1171.54 lacs) are covered by counter guarantees by the customers.

<u>In respect of Company's Associate :</u>		
Being proportionate share of its Contingent Liability	339.31	544.03
(b) Outstanding Bank Guarantees for import of materials and other accounts.	613.29	197.30
(c) Duty on import of Capital goods under Export Promotion Capital Goods Scheme Rs.18.96 lacs (Rs. 16.48 lacs).		

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- (d) Bonus for the years 1963-64 to 1967-68 at Hindmotor unit which is under adjudication (amount indeterminate). The Company contends that no liability exists in this regard under the Payment of Bonus Act, 1965.
- (e) Demands for incremental Dearness Allowance during the years 2001 to 2007 at Hindmotor Unit which are under adjudication (amount not ascertained). However, majority of the employees unions have filed joint petition for withdrawal of the case.
5. (a) Term Loans Rs.1758.66 lacs (Rs.3314.11 lacs) from the Financial Institutions and Banks together with interest and other charges thereon, are secured by a mortgage of a part of the Company's land with other immovable assets thereon, both present and future, and by way of a hypothecation charge over all the movable assets including book debts of the Company.
- (b) Cash Credit facilities from Banks Rs.301.05 lacs (Rs. 729.07 lacs), together with interest and other charges thereon, are secured by a mortgage of a part of the Company's land together with other immovable assets thereon, both present and future and by way of a hypothecation charge over all the movable assets including book debts of the Company.
- (c) Short Term Loan Rs.1009.56 lacs (Rs.Nil) from a Bank together with interest thereon, is secured by way of a hypothecation charge over all the movable assets including book debts of the Company.
- (d) The Charges referred to in (a), (b) and (c) above rank pari passu amongst various Financial Institutions and Banks.
6. The Company's agreement with workmen of Hindmotor Unit has expired on 31st March, 2003. The Company's liability, if any, towards additional salaries / wages, being presently unascertainable, would be accounted for after finalisation of the said agreement.

7. (a) The break-up of net deferred tax liability as on 31st March 2010 is as under :

	Rupees in lacs	
	2009-2010	2008-2009
(i) Deferred tax liability :		
Timing difference in depreciable assets	3482.40	0.64
(ii) Deferred tax assets :		
Expenses allowable against taxable income in future years	1702.44	-
Net Deferred tax liability (i - ii)	<u>1779.96</u>	<u>0.64</u>

In terms of accounting policy disclosed vide Note No.1 (XVII) above, Deferred tax assets of Rs.3188.82 lacs (Net Rs.981.53 lacs) arising on account of carried forward unabsorbed business losses and depreciation relating to holding company have not been recognised in the accounts.

- (b) The break-up of net deferred tax assets of a subsidiary company as on 31st March 2010 is as under :

	Rupees in lacs	
	2009-2010	2008-2009
Expenses allowable against taxable income in future years	0.41	0.31
Timing difference in depreciable assets	0.56	-
	<u>0.97</u>	<u>0.31</u>

8. Total Derivative contracts in respect of cross currency forward covers of JP¥ 6400 lacs (JP¥ 1680 lacs) are outstanding of the balance sheet date.

The Company has the following unhedged exposures in various foreign currencies as at the year end :

Sl. No.	Particulars	Rupees in lacs	
		As at March 31, 2010	As at March 31, 2009
(i)	Acceptances & Sundry Creditors for expenses	12.54	1038.15
(ii)	Advance against supplies	226.19	376.51
(iii)	Foreign Currency Loans	-	1170.23

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9. Finance Lease agreement for assets valuing Rs. 45.11 Lacs has already expired. However these assets are yet to be transferred to the Company by the lessor pending compliance of necessary formalities.
10. Consumption of Raw materials, stores and spare parts includes profit/loss on sale thereof.
11. In certain cases, excise duty on items transferred from one division to another for captive use has been accounted for based on actual payments at provisional rates. Additional liability, if any, in this regard will be accounted for on determination of the final rates, but it will have no impact on the Company's profitability, since the same will be claimable as Cenvat benefit by the transferee unit.
12. Excise duty on stocks represents differential excise duty on opening and closing inventories.
13. The Suit filed for recovery of Rent from a Sub-tenant, is still pending in the Hon'ble Court. The Court by way of an interim order has directed for payment of rent in installments without prejudice to the rights and contentions of the parties to the Suit. But, the Sub-tenant has defaulted in payment as directed in the Court's Interim Order, against which the Company has moved the Hon'ble High Court, Kolkata.
14. In terms of a Development Agreement entered by the Company, the Company has duly transferred the balance land measuring 62.791 acres (62.80 acres) at Hindmotor by handing over physical possession thereof against payment to the developer, and profit of Rs 5136.58 lacs (Rs.5631.75 lacs) thereon has been included under the head "Other Income" in Schedule 16.

The Company has given a non-compete undertaking to the developer for a period of five years from the date of agreement or three years from the date of the completion of the development of the property, whichever is earlier, for which it would receive non-compete fee @ 4 % of the sale proceeds of the developed property as and when sold by the developer.

		Rupees in lacs	
		2009-2010	2008-2009
15.	(a) Managing Director's Remuneration :		
	Salary, Allowance etc.	69.55	55.24
	Contribution to Provident and other Funds	9.72	8.75
	Others	5.72	10.56
		84.99	74.55
	(b) Directors' Fees	6.72	8.08
		91.71	82.63

In view of carried forward loss under the provisions of Section 349 of the Companies Act, 1956, the detailed computation of profit for the purpose of Managerial Remuneration has not been furnished.

16. **Earning per Share (EPS)**

In terms of Accounting Standard 20, the calculation of EPS is given below:-

	2009-2010	2008-2009
Loss after taxation as per accounts (Rupees in lacs)	4284.53	3778.18
Weighted average No. of Equity Shares outstanding during the year	161171993	161171993
Nominal value of Shares (Rs.)	10	10
Basic and Diluted EPS (Rs.)	-2.66	-2.34

17. The movement in Provisions for Warranties during the year is as follows:

Rupees in lacs				
As at March 31st, 2009	Additions	Amount utilised	Amount written back	As at March 31st, 2010
219.49	185.77	142.31	12.68	250.27
(234.09)	(172.68)	(160.04)	(27.24)	(219.49)

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		Rupees in lacs	
		2009-2010	2008-2009
18.	Based on the information /documents available with the Company, information as per the requirement of Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 are as under :		
	(i) Principal amount remaining unpaid to any supplier at the end of accounting year	1271.56	923.18
	(ii) Interest due on above	33.72	45.60
	Total of (i) & (ii)	1305.28	968.78
	(iii) Amount of interest paid by the Company to the suppliers	118.47	26.21
	(iv) Amount paid to the suppliers beyond the respective due date	2480.18	1976.63
	(v) Amount of interest due and payable for the period of delay in payments but without adding the interest specified under the Act	-	-
	(vi) Amount of interest accrued and remaining unpaid at the end of accounting year	325.19	306.40
	(vii) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23 of this Act.	-	-
19.	Disclosure under Accounting Standard- 15 (Revised) on 'Employee Benefits'		
	A. Defined Contribution Plan	2009-2010	2008-2009
	Contribution to Provident Fund	438.66	469.25
	Contribution to Superannuation Fund	42.58	50.61
	B. Defined Benefit Plan		
	The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets Gratuity on terms not lower than the amount payable under the Payment of Gratuity Act, 1972. The aforesaid scheme is funded with an Insurance Company. The following tables summarise the components of net benefit expenses recognised in profit & loss account and the funded status and amount recognised in the balance sheet for the respective plan.		
Sl. No.	Particulars	2009-2010	2008-2009
	<u>Gratuity</u>		
I	Net Employee Expense / (Benefit)		
1	Current Service Cost	106.22	96.88
2	Interest cost on benefit obligation	125.12	146.34
3	Expected Return on plan assets	(93.43)	(100.96)
4	Net Actuarial gain/(loss) recognised in the year	(32.28)	(301.44)
5	Total employee expenses recognised in Profit & Loss Account	170.19	443.70
II	Actual return on plan assets	117.65	113.33
III	Benefit Asset/(Liability)		
1	Defined benefit obligation	1801.01	1615.41
2	Fair Value of Plan Assets	1703.36	1167.03
3	Benefit Asset/(Liability)	(97.65)	(448.38)
IV	Movement in benefit liability		
1	Opening defined benefit obligation	1615.41	2842.84
2	Interest cost	125.13	146.34
3	Current Service Cost	106.22	96.88

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		Rupees in lacs	
		2009-2010	2008-2009
4	Benefits paid	(102.25)	(1784.30)
5	Actuarial (gains) / losses on obligation	56.50	313.65
6	Closing benefit obligation	1801.01	1615.41
V	<u>Movement in fair value of plan assets</u>		
1	Opening fair value of plan assets	1167.03	1261.80
2	Return on plan assets (actual)	117.65	113.33
3	Contribution by employer	520.93	1576.05
4	Benefits paid	(102.25)	(1784.15)
5	Closing fair value of plan assets	1703.36	1167.03
VI	<u>The Principal actuarial assumptions are as follows</u>		
1	Discount Rate	7.50%	7.50%
2	Salary increase	4.00%	4.00%
3	Withdrawal Rate	Varying between 2% & 1% per annum depending upon duration and age of the employees.	
4	Expected rate of return on Plan assets	8.00%	8.00%
VII	<u>The major categories of Plan Assets as a percentage of fair value of the total plan assets.</u>		
	Investment with Insurer	100%	100%

VIII Amounts for the current and previous years are as follows :

	2009-2010	2008-2009	2007-2008	2006-2007
1 Defined benefit obligation	1801.01	1615.41	2842.84	2317.98
2 Plan Assets	1703.36	1167.03	1261.80	1086.88
3 Surplus / (Deficit)	(97.65)	(448.38)	(1581.04)	(1231.10)

Note :

- a) The estimates of future salary increase considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
 - b) The information in respect of defined benefit obligation prior to 2006-07 is not available and hence not furnished.
 - c) The Company expects to contribute Rs.120 lacs to the Gratuity fund in 2010-2011.
 - d) Experience adjustment on plan assets & liabilities has been considered in the valuation report as certified by the actuary.
20. In respect of non-cancellable operating leases taken by the unit, the significant leasing agreements relating to certain premises are renewable on expiry of mutually acceptable terms. Such lease payments of Rs.129.69 lacs (Rs.90.81 lacs) are recognized in the Profit & Loss Account as rent and the particulars of future lease payment are as follows

Rupees in lacs		
Future Rental Payments	2009-2010	2008-2009
Upto 1 year	52.70	129.69
Later than 1 year & not later than 5 years	-	52.70
More than 5 years	-	-

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21. **Related Party Disclosures :-**

(a) **Name of the related parties :**

Associate Company	AVTEC Limited
Key Management Personnel	Mr. R. Santhanam, Managing Director

(b) Aggregated Related Party Disclosures as at and for the year ended March 31, 2010 are as follows.
(Transactions have taken place on arm's length basis) *

	Rupees in lacs
	Associate Company
	AVTEC Ltd
Sales	443.82
	(540.98)
Purchases	5761.67
	(5725.62)
Interest expense	6.90
	(115.10)
Creditors & Other Payables	938.94
	(1695.48)
Investment	6909.96
	(6909.96)
Delivery Charges, Freight & Transportation	4.35
	(-)
Misc. Expenses	13.60
	(21.16)
Rent & Hire charges paid	11.82
	(11.82)
Selling Expenses, Advertisement, Claims	-19.74
	(-34.01)
Dividend received	-
	(153.12)
Interest Income	4.45
	(15.62)

* Excludes Rs. 84.99 lacs (Rs.74.55 lacs) being remuneration to the Managing Director as disclosed vide Note No. 15 (a) above.

22. The Company's segment information as at and for the year ended March 31, 2010 is as below :-

	Rupees in lacs		
	Automobile	Others	Total
(a) Revenue *			
External Net Sales	57686.91	7.37	57694.28
	(60151.98)	(127.69)	(60279.67)
Less : Inter Segment Sales	-	4.37	4.37
	(-)	(4.90)	(4.90)
Revenue	57686.91	3.00	57689.91
	(60151.98)	(122.19)	(60274.17)

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	Automobile	Others	Rupees in lacs Total
(b) Results			
Segment Results	-2365.09	-82.85	-2447.94
	(-2584.49)	(-133.09)	(-2717.58)
Unallocated Expenses net of unallocated Income			300.83
			(-2.75)
Profit before Interest & Taxation			-2147.11
			(-2720.33)
Interest Expenses			1081.00
			(1216.64)
Current Tax			54.59
			(31.21)
Fringe Benefit Tax			-
			(65.46)
Deferred Tax Charge			1778.67
			(-0.37)
Excess Provision for Taxation Written Back			-9.97
			(-430.54)
(c) Net Profit / Loss (-) after Tax before share of Profit/Loss of associate			-5051.40
			(-3602.73)
Share of Profit / Loss (-) of associate			766.87
			(-175.45)
Net Profit / Loss (-)			-4284.53
			(-3778.18)
(d) Total Assets			
Segment Assets	30988.90	12.72	31001.62
	(31277.90)	(13.16)	(31291.06)
Unallocated Corporate Assets			10594.18
			(10210.11)
			<u>41595.80</u>
			<u>(41501.17)</u>
(e) Total Liabilities			
Segment Liabilities	23339.30	41.93	23381.23
	(18310.84)	(42.44)	(18353.28)
Unallocated Corporate Liabilities (including Loans)		10657.60	
			(11208.19)
			<u>34038.83</u>
			<u>(29561.47)</u>

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARY COMPANIES
SCHEDULE TO THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Rupees in lacs

(f) Other Information

	Capital Expenditure		Depreciation	
	2009-2010	2008-2009	2009-2010	2008-2009
Automobiles	784.64	1401.88	1765.64	2051.04
Others	-	0.93	1.02	18.02
	<u>784.64</u>	<u>1402.81</u>	<u>1766.66</u>	<u>2069.06</u>

(g) Geographical Segments

	2009-2010	2008-2009
Revenue*		
India	57678.94	59920.66
Overseas	10.97	326.51
	<u>57689.91</u>	<u>60274.17</u>

* Net of Excise Duty, Sales Tax and Value Added Tax.

Notes :

(i) Business Segment : The business segments have been identified on the basis of the products of the Company.

Automobiles - Consists of manufacture and sale of Passenger Cars, Utility Vehicles, Trucks and Components & Accessories thereof.

Others - Engineering & Other services.

(ii) Geographical Segment : The Company primarily operates in India and therefore the analysis of geographical segments is demarcated into its Indian and Overseas Operations.

(iii) Total carrying amount of segment assets by geographical location of assets, for the Company's overseas operations are below 10 % of the total assets of all segments, and hence not disclosed.

23. a) The following items are included under other heads in the Profit & Loss Account.

	2009-2010	2008-2009
EXPENSES		
Raw Materials and Components	6.85	4.59
Stores and Spares	71.45	58.81

b) Salaries & Wages as well as Stores consumption relating to repairs have not been segregated but are charged to the relevant account heads.

24. Previous year's figures (including those which are in brackets) have been regrouped / rearranged wherever necessary.

Signatures to Schedules 1 to 23

As per our report of even date.

S.R. Batliboi & Co.
Registration Number - 301003E
Chartered Accountants
Per **Raj Agrawal**
a Partner
Membership No.: 82028
Place: New Delhi
May 01, 2010

As Approved,
For and on behalf of the Board of Directors

C. K. Birla
Chairman

Yogesh Goenka
Chief Financial Officer &
Company Secretary

R. Santhanam
Managing Director

ATTENDANCE SLIP

HINDUSTAN MOTORS LIMITED

Regd. Office : "Birla Building" 9/1, Rajendra Nath Mukherjee Road, Kolkata 700 001

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

Joint Shareholders may obtain additional slip on request.

NAME AND ADDRESS OF THE SHAREHOLDER

Folio No.	
DP ID	
Client ID	
No.of Shares	

I hereby record my presence at the **68th Annual General Meeting** of the Company held on Tuesday, the 10th August, 2010 at 2.00 p.m. at Kolkata Ice Skating Rink, 78, Syed Amir Ali Avenue, Kolkata 700 019.

SIGNATURE OF THE SHAREHOLDER OR PROXY*

*Strike out whichever is not applicable.

..... [TEAR HERE]

PROXY FORM

HINDUSTAN MOTORS LIMITED

Regd. Office : "Birla Building" 9/1, Rajendra Nath Mukherjee Road, Kolkata 700 001

I/We
ofbeing member(s) of
Hindustan Motors Limited, do hereby appoint
of.....or failing him
..... of
as my/our proxy to attend and vote for me/us and on my/our behalf at the **68th Annual General Meeting** of the
Company to be held on Tuesday, the 10th August, 2010 at 2.00 p.m. and/or at any adjournment thereof.

Signed this day of, 2010

Folio No.	
DP ID	
Client ID	
No.of Shares	

Signature

Affix Re. 1/- Revenue Stamp

- Note :
- 1. The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting
 - 2. A proxy need not be a member of the Company.

HINDUSTAN MOTORS LIMITED

Registered Office : "Birla Building"
9/1, Rajendra Nath Mukherjee Road, Kolkata 700 001

Notice to the Members

NOTICE is hereby given that an Extraordinary General Meeting of HINDUSTAN MOTORS LIMITED will be held at Kolkata Ice Skating Rink, 78, Syed Amir Ali Avenue, Kolkata 700 019, on Tuesday, the 10th August, 2010 at 3.15 PM or immediately after the conclusion of the 68th Annual General Meeting to transact the following Special Business:-

To consider and if thought fit, to pass with or without modification, the following resolution as **Ordinary Resolution**:

"RESOLVED THAT the erosion of more than fifty percent of the Company's net worth as at the end of the financial year ended 31st March, 2010, in relation to its peak net worth during the immediately preceding four financial years, be and is hereby considered in accordance with the provisions of Section 23(1)(a)(ii) of the Sick Industrial Companies (Special Provisions) Act, 1985, in all respects."

Registered Office :
"Birla Building"
9/1, Rajendra Nath Mukherjee Road
Kolkata 700 001
Dated, the 1st June, 2010

By Order of the Board
For HINDUSTAN MOTORS LTD.
Yogesh Goenka
Chief Financial Officer &
Company Secretary

NOTES :

1. **A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a member of the Company. The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.**
2. Members/Proxies attending the meeting are requested to complete the enclosed attendance slip and deliver the same at the entrance of the meeting hall.

Annexure to the Notice

Explanatory Statement as required under Section 173 of the Companies Act, 1956.

As a result of accumulated losses as on 31st March, 2009 and the loss incurred by the Company during the financial year ended 31st March, 2010, the accumulated losses of the Company as on 31st March, 2010 have amounted to Rs.13227.52 lacs. This has resulted in erosion of more than 50% of peak net worth of the Company during the immediately preceding four financial years. Consequently, the provisions of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) apply to the Company upon finalization of the duly audited accounts of the Company. The accounts of the Company shall be considered by the members at the Annual General Meeting of the Company and subject to the approval of the same by the members, the members of the Company shall be required to consider the erosion of net worth at this Extraordinary General Meeting. The Company in terms of Section 23(1)(a)(i) of SICA is also taking necessary steps to report the fact of such erosion to the Board for Industrial and Financial Reconstruction constituted under Section 4 of SICA.

None of the Directors of the Company may deem to be interested or concerned in this resolution except as Shareholders generally.

Directors' Report

REPORT OF THE BOARD OF DIRECTORS ON EROSION OF NET WORTH PURSUANT TO SECTION 23 OF THE SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985

The Company's peak net worth during the immediately four financial years as on 31st March, 2010 amounted to Rs.16461.49 lacs

As a result of accumulated losses as on 31st March, 2009 and the loss incurred by the Company during the financial year ended 31st March, 2010, the accumulated losses of the Company as on 31st March, 2010 have amounted to Rs.13227.52 lacs. This has resulted in erosion of more than 50% of peak net worth of the Company during the immediately preceding four financial years.

Causes of Erosion

The Company has primarily been focused on the automobile business with its Plants in Uttarpara and in Chennai as well as component business from the Uttarpara Plant. The Chennai Plant manufactures and markets Mitsubishi vehicles namely Lancer, Cedia, Pajero, Outlander and Montero. The Uttarpara Plant manufactures Ambassador and small goods carrying mini truck called Winner.

The Lancer car was introduced in 1998 and the Cedia was introduced in 2006, both are facing stiff competition from newer models in the mid-size segment. The Company introduced new models, Pajero, Outlander and Montero in the Sports Utility Vehicles segment but the volumes started increasing only from 2006-07. However beginning third quarter of 2008-09, in the wake of global economic problems, the volumes declined and the Plant temporarily started incurring losses. The problem was compounded further by adverse movement in foreign exchange rates from 2008 onwards affecting the sales and profitability. By September 2009 the Company initiated counter measures and opened dialogue with its foreign collaborator and was able to persuade the collaborator to reduce kit prices in order to stay competitive in the market. The gains of such reduction, due to inherent lead time in shipments, became available to the Company only in March 2010 and this Plant turned profitable once again.

During the last couple of years, the Company's Uttarpara Plant has been experiencing steady decline in volumes. The Ambassador car is predominantly sold in taxis, institutional and commercial segment and the sales have been declining due to competition from mid-size car and utility vehicles. In the year 2009-10, sale of Ambassadors in the taxi segment improved due to large scale fleet replacements in Kolkata city. While the Plant had registered significant increases in volume, the profitability did not improve commensurately because most of the increased volume came from relatively lower margin variant of yellow taxis. The Company introduced a new small goods carrying vehicle called "Winner" which is expected to contribute significant volumes in the next few quarters especially with its CNG version.

The Company also diversified into Component business of manufacturing and selling castings, forgings and stampings. Of these three businesses, stamping business had good profit potential. However the Company's efforts to realize this profitable business was stymied by a very unfortunate and prolonged labour strike in 2007 wherein the customer who had handed over their tools to the Company had to approach the Hon'ble High Court at Calcutta to regain possession of their tools. The Company's efforts to grow the component business were further adversely affected due to the downturn in the automobile industry in 2008-09.

The Company had earned profits from sale of various assets from time to time over the last few years but the operating losses more than offset the profits thereby resulting in accumulation of losses over the last few years.

Steps for revival

The Company has been relentlessly making efforts to increase revenue by introducing new products and new features in existing products as well as to reduce costs and make its operations profitable. The Company has taken/is taking following steps for revival of the Company:-

- a) Introduction of new models from Mitsubishi Motors in Chennai Car Plant;

- b) Introduced new diesel as well as alternate fuel driven Mini Truck, Winner in the growing markets both domestic as well as exports;
- c) Embarking on developing a set of auto component business namely supplying of castings, forgings and stampings to other manufacturers in the automobile and other industries;
- d) Modernization of manufacturing facilities to improve efficiency and reduce costs;
- e) Reduce the input and other overheads by value engineering, rationalisation of work force and other cost reduction measures;
- f) Taken necessary steps to make the engines of most of its vehicles meet the emission norms of Bharat Stage-IV before the date set for the purpose by the Government i.e. 1st April, 2010;
- g) Thrust being given to dealer development activity to strengthen the distribution network;
- h) Revenue from development of Integrated IT Township and Automotive Ancillary Park.

The Board is confident that with the steps taken as outlined above, the Company would be able to improve upon its performance and arrest further erosion.

For and on behalf of the Board of Directors

New Delhi
1st May, 2010

C.K. Birla
Chairman

ATTENDANCE SLIP FOR EGM

HINDUSTAN MOTORS LIMITED

Regd. Office : "Birla Building" 9/1, Rajendra Nath Mukherjee Road, Kolkata 700 001

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NAME AND ADDRESS OF THE SHAREHOLDER

Folio No.	
DP ID	
Client ID	
No.of Shares	

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*Strike out whichever is not applicable.

..... [TEAR HERE]

PROXY FORM FOR EGM

HINDUSTAN MOTORS LIMITED

Regd. Office : "Birla Building" 9/1, Rajendra Nath Mukherjee Road, Kolkata 700 001

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of.....or failing him
..... of as my/our
proxy to attend and vote for me/us and on my/our behalf at the Extraordinary General Meeting of the Company to be held on Tuesday, the 10th August, 2010 at 3.15 p.m. or immediately after the conclusion of the 68th Annual General Meeting and/or at any adjournment thereof.

Signed this day of, 2010

Folio No.	
DP ID	
Client ID	
No.of Shares	

Signature

Affix
Re. 1/-
Revenue
Stamp

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Book Post

if undelivered please return to :



Hindustan
Motors
Limited

“Birla Building”

9/1, R.N. Mukherjee Road, Kolkata 700 001