



Hindustan Motors Limited

Annual Report
&
Accounts 2011-2012

HINDUSTAN MOTORS LIMITED

ANNUAL REPORT

Year Ended March 31, 2012

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 (up to 29.02.2012)	ICICI Nominee
Shri A. Sankaranarayanan	
Shri Subroto Gupta	IDBI Nominee
Shri Vijay Kumar Sharma	LIC Nominee
Shri Manoj Jha (up to 31.01.2012)	Managing Director
Shri Uttam Bose (w.e.f. 02.04.2012)	Managing Director

Chief Financial Officer and Company Secretary

Shri Yogesh Goenka

Bankers

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

Statutory Auditors

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

Cost Auditors

Messrs. Shome & Banerjee
Cost Accountants
5A, Nurulla Doctor Lane (West Range)
2nd Floor, Kolkata - 700 017

Share Transfer Agents

Karvy Computershare Private 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 : einward.ris@karvy.com
mahendra.singh@karvy.com
Kolkata Office : (033) 2464 7231, 2464 4891

Registered Office

'Birla Building', 14th Floor
9/1, Rajendra Nath Mukherjee Road, Kolkata 700 001

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Notice to the Shareholders

NOTICE is hereby given that the Seventieth 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 Monday, the 13th August, 2012 at 2.30 p.m. 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, 2012.
- (2) To appoint a Director in place of Shri P. K. Khaitan who retires by rotation and being eligible offers himself for re-appointment.
- (3) To appoint a Director in place of Dr. Anand C. Burman who retires by rotation and being eligible offers himself for re-appointment.
- (4) To appoint a Director in place of Shri V. K. Sharma who retires by rotation and being eligible offers himself for re-appointment.
- (5) 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., (Registration No. 301003E) 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 ₹ 25,00,000/- (Rupees Twenty-five 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 :

- (6) To consider and, if thought fit, to pass with or without modification(s), 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 Uttam Bose be and he is hereby appointed as the Managing Director of the Company not liable to retire by rotation for a period of 3 (three) years with effect from 2nd April, 2012 at a remuneration and on the terms and conditions set out below:-

1. Salary (basic) per month : ₹ 4,67,000/- (Four lacs sixty-seven thousand) in a time scale of ₹ 4,67,000/- - ₹ 6,65,000/-. Annual increment shall be payable on 1st April of each year (starting from April, 2013) 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 : Monthly Special Allowance of 100% of the Salary (basic) applicable for the relevant period.
- b) Leave Travel Allowance : The yearly payment in the form of allowance shall be equivalent to one month's salary (basic).
- c) House Rent Allowance : Monthly House Rent Allowance of 60% of the Salary (basic) applicable for the relevant period.
- d) Medical reimbursement : Expenditure incurred by the Managing Director and his family, subject to a ceiling of ₹ 50,000/- (Fifty thousand) per annum.
- e) Club Fees : Actual fees for a maximum of two clubs, subject to a maximum of ₹ 50,000/- (Fifty thousand) per annum. This will not include Admission fees and life membership fees.
- f) Hospitalisation Insurance Scheme : As per the scheme of the Company, Hospitalisation Insurance coverage shall be provided for the Managing Director and dependent family members.
- g) Contribution to Provident Fund and Gratuity will be as per the Rules / Scheme of the Company.
- h) 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.
- i) 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 and use of car for private purpose shall be billed by the Company to the Managing Director.

3. Performance Variable Pay : In addition to the above, the Managing Director shall be entitled for a Performance Variable Pay of a maximum of ₹ 40,00,000/- (Forty lacs) per annum for the 1st year of service, maximum of ₹ 50,00,000/- (Fifty lacs) per annum for the 2nd year of service and maximum of ₹ 60,00,000/- (Sixty lacs) per annum for the 3rd year of service. The exact quantum payable will be based on extent of achievement against the deliverables as decided by the Board of Directors or Remuneration Committee of Directors of the Company from time to time.

4. Joining Bonus : In addition to the above, the Managing Director shall be entitled for a one time joining bonus of ₹ 24,00,000/- (Twenty-four lacs). This amount will be liable for recovery if the Managing Director were to leave purely on his own will before completing two years of service. The recovery will be at the rate of ₹ 1,00,000/- (One lac) per month for the balance period of completion of two years.

- Minimum Remuneration : The remuneration specified at Sl. Nos.1 to 3 above subject to approval of Central Government, if required, shall be paid to Shri Uttam Bose 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 Uttam Bose as Managing Director of the Company is terminable by either side with a notice period of three months or Company paying three months salary (basic) in lieu of such notice."

Registered Office:
'Birla Building', 14th Floor
9/1, Rajendra Nath Mukherjee Road
Kolkata 700 001
Dated, the 12th June, 2012

By Order of the Board
For HINDUSTAN MOTORS LTD
Yogesh Goenka
*Chief Financial Officer and
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 P. K. Khaitan, Dr. Anand C. Burman and Shri V. K. Sharma, 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 and 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 Monday, the 6th August, 2012 to Monday, the 13th August, 2012 (both days inclusive).
7. (a) Members are requested to notify change of address, if any, with PINCODE to the Company or to its Registrar and 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 Registrar and 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 and Share Transfer Agents, Karvy Computershare Private Limited.
13. The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in Corporate Governance" (Circular No. 17/2011 dated 21.04.2011 and Circular No. 18/2011 dated 29.04.2011) allowing paperless compliances by Companies through electronic mode. Companies are now permitted to send various notices /documents to its shareholders through electronic mode to the registered e-mail addresses of shareholders. Keeping in view the underlying theme and the circular issued by MCA, the Company proposes to send all documents to Shareholders like General Meeting Notices (including AGM), Audited Financial Statements, Directors' Report, Auditors' Report etc. to the shareholders through e-mail. **Shareholders holding shares in dematerialized form are requested to register their e-mail ID with their Depository Participants and shareholders holding shares in physical form are requested to register their e-mail ID with Registrar and Share Transfer Agents of the Company i.e., Karvy Computershare Private Limited, Plot Nos. 17 to 24 Vittal Rao Nagar, Madhapur, Hyderabad 500 081 for sending documents through e-mail.**

Annexure to the Notice

Explanatory Statement

The following Explanatory Statement relating to Special Business at item No. 6 of the accompanying Notice sets out all material facts as required under Section 173 of the Companies Act, 1956.

Item No.6

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

Accordingly, the Board Members at its meeting held on 7th March, 2012, has appointed Shri Uttam Bose as Whole-time Director designated as Managing Director for a period of three years with effect from 2nd April, 2012. The salient terms and conditions of the appointment are set out in the Resolution in Item No.6 of the subjoined Notice.

The remuneration payable to Managing Director has also been approved by Remuneration Committee of Directors at its Meeting held on 7th March, 2012.

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

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: ₹ in lacs

Financial Year ended	31.03.2012	31.03.2011	31.03.2010
Gross Revenue from Operations	59192.87	80271.17	68821.77
Net Revenue from Operations	49547.57	65479.16	56720.88
Profit/(Loss) before Exceptional Items and Tax	(13396.45)	(10061.90)	(9113.83)
Exceptional Items	10056.06	9680.53	5783.96
Profit/(Loss) before Tax	(3340.39)	(381.37)	(3329.87)
Tax Expenses	(344.73)	(456.60)	1780.15
Profit/(Loss) for the Year	(2995.66)	75.23	(5110.02)
Equity Share Capital	8657.08	8067.08	16125.68

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

Financial Year ended	31.03.2012	31.03.2011	31.03.2010
Foreign Exchange Earnings (FOB value of Exports)	93.14	13.03	4.43

- (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 Uttam Bose, Managing Director of the Company is a Bachelor of Engineering (Mechanical), MBA (Finance), Qualified Lead Auditor(Quality System), Qualified Value Engineer and Qualified TPM Instructor.

Career : Shri Uttam Bose is a professional with Bachelor of Engineering (Mechanical) and MBA (Finance). He has about 26 years of experience (over 12 years as leadership role) in domestic and overseas assignments. During his career Shri Uttam Bose has worked with Hero Motors Limited, Caparo India Limited, Samcor Glass Limited, Brunton Shaw ME, FZE in Dubai, Brunton Shaw UK Limited in England and Usha Martin Limited.

Shri Bose has rich and vast experience in automobile and engineering industries.

- (2) **Past remuneration :** ₹ in lacs

2011-12	2010-11	2009-10
138.02	127.81	65.34

- (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 Uttam Bose is a Senior Corporate Executive of proven caliber and excellence and is having wide ranging experience in manufacturing, business development and corporate strategies. 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, value addition to products and services through innovation. His main strengths have been building effective and motivated teams, market positioning, financial restructuring, business process re-engineering, strategic alliances and initiatives, cost optimization and working capital management.

The professional services of Shri Uttam Bose 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 heading large organizations, manufacturing and business development, Shri Uttam Bose is ideally suited for the position.

- (4) **Remuneration proposed :**

As referred in Item No. 6 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 Uttam Bose, 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 Uttam Bose has no pecuniary relationship with the Company other than his remuneration as Managing Director of the Company.

He is not having any direct or indirect interest in the capital of the Company or through any statutory structures and not having any direct or indirect interest or related to directors or promoters of the Company at any time during last two years before or on the date of appointment. He has specialized knowledge in the field of his profession. There is no managerial personnel related to Shri Bose. He is purely a professional executive of the Company.

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, Tiruvallur and Pithampur as well as component business from the Uttarpara Plant. The Chennai Car Plant at Tiruvallur manufactures and markets Mitsubishi vehicles namely Lancer, Cedia, Pajero, Pajero Sport, 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. 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. However the gains of such reduction could not sustain due to continuing depreciation of rupee vis-a-vis Japanese Yen causing continuous operating losses to the Company. Further continuous rise in interest rates and petrol prices significantly affected the sale volume from Chennai Car Plant. As a combined effect of continuous adverse forex rates and limited product range as of now with low volumes, the operating results of the Chennai Car Plant of the Company has been affected.

During the last few years, the Company's Uttarpara Plant has been experiencing steady decline in volumes. The Ambassador car is predominantly sold in niche segments such as taxis, institutional and commercial segments and the sales have been declining due to intensity of 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. However from 2010-11 the sale of Ambassador was also affected due to non-availability of BSIV compliant diesel engine and lower orders from government customers. Besides this, the Company was not able to sustain its volumes due to shortage of working capital and inadequate distribution network. The new small goods carrying vehicle called "Winner" introduced by the Company is yet to achieve volumes.

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 is making efforts to gain foothold in the highly competitive auto component business.

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 mainly Pajero Sport and seven-seater Outlander ;
- b) Introduced new diesel as well as alternate fuel driven Mini Truck, Winner in the growing markets both domestic as well as exports;
- c) Introduction of new variants of Ambassador and Winner in the commercial segment;
- d) 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;
- e) Modernization of manufacturing facilities to improve efficiency and reduce costs;
- f) Reduce the input and other overheads by value engineering, rationalisation of work force and other cost reduction measures;
- g) Thrust being given to dealer development activity to strengthen the distribution network.

(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 Uttam Bose.

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 70th Annual General Meeting.

The appointment and remuneration payable to Shri Uttam Bose as Managing Director require approval of the Company in General Meeting in terms of Part III of Schedule XIII of the Companies Act, 1956.

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 Uttam Bose as a Director of the Company.

Accordingly, your Directors recommend the resolution set out in Item No.6 of the convening Notice for your approval.

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

Except Shri Uttam Bose, 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 7th March, 2012 and a copy of the Agreement between the Company and Shri Uttam Bose in this connection will be kept open for inspection by the Shareholders at the Registered Office of the Company situated at "Birla Building", 14th 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 Uttam Bose
Date of birth	17.12.1961
Date of appointment	02.04.2012
Qualification	Bachelor of Engineering(Mech), MBA (Finance), Qualified Lead Auditor(Quality System), Qualified Value Engineer and Qualified TPM Instructor
Nature of expertise in specific functional areas	As mentioned in Explanatory Statement of the Notice of 70th Annual General Meeting
Names of directorship in other companies	1. ZF Hero Chassis Systems Private Limited 2. Munjal Kiri Industries 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 Seventieth Annual Report together with annual accounts of the Company for the year ended March 31, 2012.

Financial Results

During the year under review, the Company's revenue was ₹ 592 Crores compared to ₹ 803 Crores in the previous financial year. The following table gives a summary of the performance.

	(₹ in Crores)	
	2011-12	2010-11
Gross Revenue from Operations	591.93	802.71
Net Revenue from Operations	495.48	654.79
Profit/(Loss) before		
Exceptional items and Tax	(133.96)	(100.62)
Exceptional items	100.56	96.81
Profit / (Loss) before Tax	(33.40)	(3.81)
Tax Expenses	(3.44)	(4.56)
Profit / (Loss) for the Year	(29.96)	0.75

The revenue account shows a loss of ₹ 29.96 Crore after providing ₹ 21.79 Crores for depreciation & amortisation expense and taking credit of ₹ 3.44 Crores for deferred tax net of other taxes. There was a deficit of ₹ 47.76 Crores in the Statement of Profit and Loss in the last year. After considering the results of the year under review, there is a deficit of ₹ 77.72 Crores in the Statement of Profit and Loss as at the end of the year.

During the year, the Company sold 30,67,000 equity shares of ₹ 10/- each of AVTEC Limited and its immovable properties at Kolkata and Halol, Gujarat and aggregate profit of ₹ 100.56 Crores thereon has been included in the Statement of Profit and Loss. Consequent to the sale of shares held by the Company in AVTEC Limited, its holding in AVTEC Limited (including the shareholding in AVTEC Limited through its subsidiary) reduced from 43.33 % to 31.06 %.

As informed in the previous year, due to sale of property at Halol, Gujarat and consequent profit, the Lenders had made a claim of recompense of interest under Corporate Debt Restructuring Scheme. The Company requested the Lenders to waive a significant portion of the demand based on the facts and circumstances of the case as well as justifiable reasons and to be

reasonable in their claim. Pending final decision on the same, provision has been made for ₹ 15 Crores on account of this in the year 2010-11 and the amount has been paid to Lenders in April, 2011.

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

Preferential Allotment

In order to meet the funding requirements for capital expenditure and working capital, the Company has on 12th March, 2012 allotted to promoter/promoter group companies on preferential basis 1,18,00,000 Equity Shares of nominal value of ₹ 5/- each at a premium of ₹ 7.25 per share and 1,18,00,000 Warrants with each Warrant convertible into one Equity Share of the Company of nominal value of ₹ 5/- each at a premium of ₹ 7.25 per share at the option of the Warrant holder at any time within a period of eighteen months from the date of allotment of Warrants on payment of balance consideration. The Company has received 25% of consideration for such Warrants during the year.

The shareholding of the promoters has increased from 27.22% to 32.19% on allotment of Equity Shares and will further increase to 36.52% on conversion of Warrants into Equity Shares.

Review of Operations

The Company has been focusing on automobile business and auto component business consisting of forgings, castings and stampings with plants at Uttarpara, Tiruvallur and Pithampur. In the automobile business, the main focus is on Ambassador, Cedia, Sports Utility Vehicles namely, Pajero, Montero and Outlander and the goods carrying Mini Truck called 'Winner'.

Sale of automobiles during the year under review is 5139 numbers compared to 10097 numbers during the previous financial year.

The continuing higher interest rates and increased petrol prices slowed down the overall growth of automobile industry during the year under review. The year under review has been a challenging one for the Company. The operations at Uttarpara plant was adversely affected due to lower volumes of Ambassador and Winner and shortage of working capital. The operations at Chennai Car Plant was also adversely affected due to lower volumes caused mainly by higher petrol prices and

increased interest rates. Further adverse exchange rates severely affected the margins on the products of Chennai Car Plant. The Company persuaded its collaborator Mitsubishi Motors Corporation, Japan to reduce kit prices in view of the higher foreign exchange rates as well as increased competition in the operating segment, the benefit of which started in the second half of the year.

In March, 2012, your Company launched a state-of-the-art sports utility vehicle (SUV), called Pajero Sport and a seven-seater upgraded version of the Mitsubishi Outlander both from its Chennai Car Plant under license from Mitsubishi Motors Corporation, Japan. A diesel-driven newer version of SUV, Pajero Sport will not only serve as an excellent successor to the existing Pajero but will also become a major product in the Company's portfolio to take on the stiff competition in the fast growing SUV segment. The Company started production of CNG driven Winner from its Pithampur Plant and a passenger carrier version is also being developed. These new products are expected to generate favourable response in the market place and 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 subsidiary in USA, also engaged in engineering design related software.

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

Outlook for 2012-13

With the growth rate of the Indian Economy expected to be higher during 2012-13 compared to 2011-12 and the indication of reduction in interest rate, the growth in automobile industry is expected to be higher during the current financial year. However, continuing higher fuel prices are cause for concern. The Company is preparing to launch new variants of Ambassador and Winner in the fast growing commercial vehicles segment during the current financial year. The Company is also upgrading its diesel engine to meet BS-IV emission norms. The launch of Pajero Sport and a seven-seater Outlander in March, 2012 is expected to increase sales volumes in the current financial year. The Company continues to strengthen its distribution network by expanding its dealerships as well as opening new warehouses to ensure timely deliveries. The Company also 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.

As regards component business, those customers and products that were acquired during the year under review will come in the regular production stream in the current financial year and will add to the business of the Company.

Registered Office

Effective 10th March, 2012, the Registered Office of your Company is at Birla Building, 14th Floor, 9/1 R.N. Mukherjee Road, Kolkata-700001.

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 focus areas 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 prepared and presented the financial statements for the year ended 31st March, 2012 in accordance with the revised Schedule VI notified under the Companies Act, 1956.

The Company has complied with all the applicable Accounting Standards prescribed by Companies (Accounting Standards) Rules, 2006. 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 2011-12 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.

Cost Auditors

M/s Shome & Banerjee, Cost Accountants are the Cost Auditors of the Company for the financial year 2011-12. The Company has filed cost audit report for the financial year 2010-11 on 17th August, 2011 and the due date for filing cost audit report for the financial year 2011-12 is 27th September, 2012.

Subsidiaries

As per general exemption granted vide Government of India, Ministry of Corporate Affairs' general circular no. 2/2011 dated 8th February, 2011, the Company has not attached the annual accounts of its all the three subsidiaries namely Hindustan Motor Finance Corporation Limited, HM Export Limited and Hindustan Motors Limited, USA to this Annual Report. As required by the said circular, the relevant information for each subsidiary has been disclosed in the consolidated financial statements attached to this Annual Report.

The Company will make available the annual accounts of subsidiaries and the related information to any member of the Company who may be interested in obtaining the same. The annual accounts of subsidiaries will also be kept for inspection by any member of the Company at the registered office of the Company and that of respective subsidiaries. The Consolidated financial statements presented by the Company include the financial information of its subsidiaries.

The Company is in the process of creating pledge of 45,50,000 equity shares of ₹ 10/- each held in its subsidiary, HM Export Limited in favour of its Lenders, as additional security under the Corporate Debt Restructuring package.

Directors

During the year under review, nomination of Shri Yogesh Kumar Rastogi as Director of the Company was withdrawn by ICICI Bank Limited with effect from 1st March, 2012. The Board places on record its high appreciation for the valuable services rendered by Shri Yogesh Kumar Rastogi during his tenure as Director of your Company.

At the ensuing Annual General Meeting, Shri P. K. Khaitan, Dr. Anand C. Burman and Shri V. K. Sharma, Directors of the Company, retire by rotation and being eligible offer themselves for re-appointment.

Shri Manoj Jha submitted his resignation as Managing Director of the Company with effect from the close of business hours on 31st January, 2012. The Board places on record its high appreciation for the valuable services rendered by Shri Manoj Jha during his tenure as Managing Director of the Company.

Shri Uttam Bose has been appointed as Managing Director of the Company with effect from 2nd April, 2012 for a period of three 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
30th April, 2012

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 6.9% as per the Economic Survey tabled by the Government. The index of industrial production was lower at 3.5 % in this year compared to 7.8% in the previous year. Sale of Passenger Vehicles in the country grew by 4.66% as compared to 29.16% in the immediate preceding year and the sale of Light Commercial Vehicles in the country grew by 27.36% as compared to 22.88% in the immediate preceding year.

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

Domestic Sales - Nos.	2010-11	2011-12	% age Increase
Passenger Vehicles			
Passenger Cars	19,72,845	20,16,115	2.19
Utility Vehicles	3,15,123	3,67,012	16.47
Vans	2,13,574	2,34,945	10.01
Total	25,01,542	26,18,072	4.66
Light Commercial Vehicles			
Passenger Carriers	44,816	49,371	10.16
Goods Carriers	3,17,030	4,11,460	29.79
Total	3,61,846	4,60,831	27.36

Source: Society of Indian Automobile Manufacturers - Flash Report

Sale of Company's vehicles during the year was 5139 numbers compared to 10097 numbers in the previous financial year. The Company operates in niche segments only. The decline in number of vehicles sold was mainly due to the Company not having any BS-IV compatible diesel engine thus losing sale in major markets, decline in order from government customers, higher petrol prices, increased interest rates, delay in launch of Pajero Sport due to disruption in operation of Mitsubishi plant in Thailand caused by flood and shortage of working capital. The adverse fluctuation in foreign exchange

severely affected the profitability of Chennai Car Plant despite reduction in kit prices by the collaborator Mitsubishi Motors Corporation, Japan in the second half of the year. The Company took measures like value engineering and cost reduction initiatives etc.

In March, 2012, the Company launched a state-of-the-art sports utility vehicle (SUV), called Pajero Sport and a seven-seater upgraded version of the Mitsubishi Outlander both from its Chennai Car Plant under license from Mitsubishi Motors Corporation, Japan. Pajero Sport has been well received in the market. The Company also started production of CNG driven Winner from its Pithampur Plant during the year. These new products are expected to receive favourable response in the market.

Opportunities & Threats

The economy is expected to improve during the current financial year. The forecast of GDP growth rate for 2012-13 is 7.6 +/- 0.25% as compared to 6.9% in 2011-12. In view of the higher GDP and expected reduction in interest rates, demand for the passenger vehicles is likely to grow during 2012-13. There is significant growth in the light commercial vehicles segment and growth is expected to continue in the near future. It is expected that the automobile industry will grow between 10-12% during 2012-13. With the continuous increase in capacities and introduction of newer models, competition will remain high. The continuous increases in fuel prices, surging prices of commodities and higher excise and import duties could impact demand during the current financial year.

The Company is hopeful of registering growth in sales during the current financial year. The Company expects to increase its market share in the growing SUV segment with the recent launch of Pajero Sport and seven-seater Outlander in the segment. The Company will launch new variants of Ambassador and passenger carrier version of Winner for use in the growing light commercial vehicles segment, during the current financial year which is expected to improve its sale. In

order to increase the capacity and improve focus on Mini Truck, Winner and its variants, the Pithampur plant is being utilised for manufacture of these vehicles for efficient and cost effective supply to Central, North, South and West markets of the country.

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 and these initiatives have resulted in acquisition of several new products and projects which will increase the revenue as well as contribution for the component business.

Financial Performance

Total revenue from operations of the Company during the year was ₹ 592 Crores against ₹ 803 Crores in the previous year. The loss before tax for the year was ₹ 33.40 Crores after including income from exceptional items which includes profit from sale of shares of AVTEC Limited and its immovable properties at Kolkata and Halol, Gujarat. The profitability of the Company was adversely affected due to lower sales of its products and adverse foreign exchange rates.

The Company's business activity falls within a single primary business segment viz. 'Automobiles' in India and hence the disclosure requirement of Accounting Standard-17 "Segment Reporting" as notified by Companies (Accounting Standards) Rules, 2006 (as amended) are not applicable.

The Outlook for the year 2012-13 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 limited product range, 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 Company has appointed Internal Auditors who review 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
30th April, 2012

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 nine members comprising of one Executive Director and eight Non-Executive Directors. The Non-Executive Directors account for about 89% of Board's strength against minimum requirement of fifty percent as per Clause 49 of the listing agreement. There are five 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	7	-	-
Shri Naresh Chandra	Independent - Non-Executive	11	9	-
Shri Pradip Kumar Khaitan	Not Independent - Non-Executive	14	3	1
Dr. Anand C. Burman	Independent - Non-Executive	7	-	-
Shri Kranti Sinha	Independent - Non-Executive	3	4	3
Shri A. Sankaranarayanan	Not Independent - Non-Executive	3	1	1
Shri Subroto Gupta	Independent - Non-Executive - IDBI Nominee- Lender	1	-	-
Shri Vijay Kumar Sharma	Independent - Non-Executive - LIC Nominee	5	2	1
Shri Uttam Bose	Managing Director	-	-	-

* only public limited companies have been considered.

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

Shri Manoj Jha ceased to be a Managing Director of the Company with effect from 1st February, 2012 and Shri Uttam Bose was appointed as Managing Director of the Company with effect from 2nd April, 2012. The post of Managing Director of the Company remained vacant for the period from 1st February, 2012 to 1st April, 2012.

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, 2012, five meetings of the Board of Directors were held on 16th May, 2011, 4th August, 2011, 2nd November, 2011, 31st January, 2012 and 7th March, 2012. 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	5	5	Yes
Shri Naresh Chandra	5	5	Yes
Shri Pradip Kumar Khaitan	5	2	Yes
Dr. Anand C. Burman	5	1	No
Shri Kranti Sinha	5	5	Yes
Shri Yogesh Kr. Rastogi (ceased to be a Director w.e.f. 1-3-2012)	5	1	No
Shri A. Sankaranarayanan	5	5	Yes
Shri Subroto Gupta	5	2	Yes
Shri Vijay Kumar Sharma	5	4	No
Shri Manoj Jha (ceased to be a Managing Director w.e.f. 1-2-2012)	5	3	Yes

(c) Shareholding of Non-Executive Directors

As on 31st March, 2012 number of shares held by Non-Executive Directors were as follows:-

Name of Non-Executive Directors	No. of Shares held on 31st March, 2012
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 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. Two 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 4th August, 2011 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 auditor, cost auditor 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 and 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, 2012 four Audit Committee Meetings were held on 16th May, 2011, 4th August, 2011, 2nd November, 2011 and 31st January, 2012 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	4
Shri Yogesh Kr. Rastogi (ceased to be a Member w.e.f. 1-3-2012)	4	1
Shri A. Sankaranarayanan	4	4
Shri Subroto Gupta	4	2
Shri Vijay Kumar Sharma	4	3

4. Remuneration Committee

The Board of Directors of the Company at its 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.

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

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

During the year under review, two meetings of the Remuneration Committee were held on 16th May, 2011 and 7th March, 2012 and the attendance of the Remuneration Committee Members was as under:-

Remuneration Committee Meetings

Name of the Remuneration Committee Members	Held	Attended
Shri Naresh Chandra	2	2
Shri Pradip Kumar Khaitan	2	1
Shri Kranti Sinha	2	2
Shri A. Sankaranarayanan	2	2
Shri Vijay Kumar Sharma	2	2

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, if required. The annual increments effective 1st April of each year as recommended by the Remuneration Committee of Directors are also paid. The ceiling on variable pay, perquisites and allowances is as fixed by the Remuneration Committee of Directors.

Remuneration paid to Directors during the financial year ended 31st March, 2012

Non-Executive Directors

(Amount in ₹)

Name	Sitting fees for attending Committee and Board Meetings
Shri C. K. Birla	50,000
Shri Naresh Chandra	1,60,000
Shri Pradip Kumar Khaitan	70,000
Dr. Anand C. Burman	10,000
Shri Kranti Sinha	1,30,000
Shri Yogesh Kr. Rastogi	20,000
Shri A. Sankaranarayanan	1,60,000
Shri Subroto Gupta	50,000
Shri Vijay Kumar Sharma	90,000

Remuneration of Executive Directors

(Amount in ₹)

	Shri Manoj Jha, Managing Director (2011-12)
Salary* and allowances	1,45,17,742
Benefits	6,03,377
Bonuses	5,00,000
Stock Option	-
Contribution* to :	
(i) Superannuation Fund	-
(ii) Provident Fund	2,77,935
Total	1,58,99,054

* 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 with a notice period of six months or Company paying six months salary (basic) in lieu of such notice.

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. 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.

The present composition of the Special Committee of Directors 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 A. Sankaranarayanan	Not Independent and Non-Executive Director	Member

During the year under review, five meetings of such Committee of Directors were held on 3rd August, 2011, 6th December, 2011, 4th February, 2012, 27th February, 2012 and 12th March, 2012 and the attendance of the Special Committee Members was as under:-

Special Committee Meetings

Name of the Special Committee Members	Held	Attended
Shri Naresh Chandra	5	5
Shri Pradip Kumar Khaitan	5	4
Shri A. Sankaranarayanan	5	3

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 15th June, 2011, 19th August, 2011, 16th November, 2011 and 17th January, 2012.

7. 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 Uttam Bose	Executive Director	Member

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

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, 397 complaints were received by the Company/Registrar and Share Transfer Agents from shareholders and/or through regulatory bodies. All these complaints except one have been redressed during the year ended 31st March, 2012. The pending one was subsequently redressed. There were no share transfer applications pending for registration as on 31st March, 2012 except 24 applications for 8015 shares which were under the category of Seller's Notice.

During the year ended 31st March, 2012 two meetings were held on 4th August, 2011 and 2nd November, 2011. 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	-
Shri Kranti Sinha	2	2
Shri A. Sankaranarayanan	2	2
Shri Subroto Gupta	2	1
Shri Manoj Jha (ceased w.e.f. 1-2-2012)	2	2
Shri Uttam Bose (nominated w.e.f. 30-4-2012)	NA	NA

Complaints received during the financial year ended 31st March, 2012 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	27	27
Non-receipt of Redemption Warrant	5	5
Non-receipt of Annual Report	10	10
Non-receipt of Securities	304	303
Non-receipt of Fresh/New Securities	1	1
Non-receipt of Securities after transfer	11	11
Non-receipt of Stickers	25	25
Non-receipt of Shares after TRM/DNN	2	2
Non-receipt of Power of Attorney Registration No.	1	1
Miscellaneous	11	11
	397	396

8. General Body Meetings

Nature of the General Meetings held in the last three years	Date	Venue	If Special Resolution(s) passed
Annual General Meeting	4th August, 2011	Kolkata Ice Skating Rink 78, Syed Amir Ali Avenue Kolkata-700019	No
Annual General Meeting	10th August, 2010	-do-	Yes
Annual General Meeting	24th July, 2009	-do-	Yes
Extraordinary General Meeting	7th March, 2012	-do-	Yes

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

9. Disclosures

Besides the transactions mentioned elsewhere in the Annual Report, there were no materially significant related party transactions during the year conflicting with the interest of the Company.

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 the Listing Agreement viz. constitution of Remuneration Committee of Directors.

10. 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.

11. General Shareholder Information

Annual General Meeting	
Date & time	13th August, 2012 at 2.30 PM
Venue	Kolkata Ice Skating Rink, 78, Syed Amir Ali Avenue, Kolkata - 700 019

Financial Calendar for F.Y. 2012-13	a. 1st Quarterly Results - On or before 14th August, 2012	
	b. 2nd Quarterly Results - On or before 14th November, 2012	
	c. 3rd Quarterly Results - On or before 14th February, 2013	
	d. Annual Audited Results - On or before 30th May, 2013	
Date of Book closure	6th August, 2012 to 13th August, 2012 (both days inclusive)	
Dividend Payment	In view of the deficit in the Statement of Profit & Loss 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.	
Listing on Stock Exchanges	<p>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</p> <p>BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai - 400 001 Tel : 91-22-2272 1233/1234 Fax : 91-22-2272 2037/39</p> <p>The Calcutta Stock Exchange Limited 7, Lyons Range, Kolkata - 700 001 Tel : 91-33-2210 4470-77 Fax : 91-33-2210 2223</p>	
Stock code	National Stock Exchange of India Limited BSE Limited The Calcutta Stock Exchange Limited	HINDMOTORS 500500 1000012
ISIN Number	INE253A01025	

Market Price Data

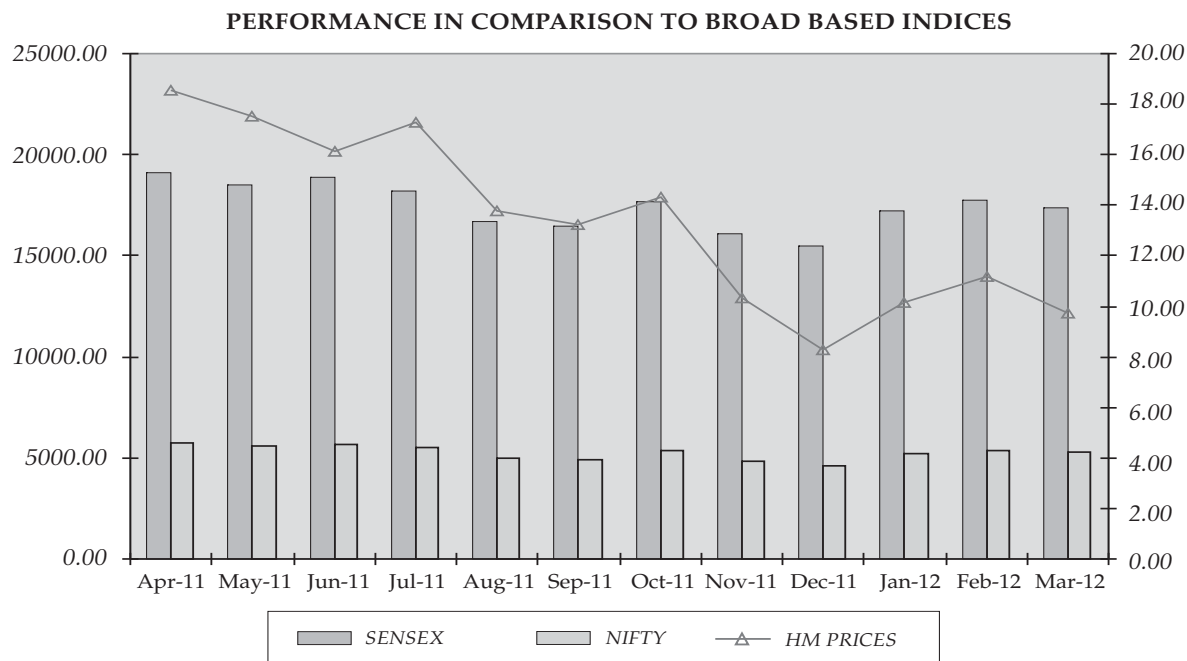
The Company's shares are listed on National Stock Exchange of India Limited, BSE Limited and The Calcutta Stock Exchange Limited. The monthly high and low quotations of shares traded during the year ended 31st March, 2012 are as below :

(Amount in ₹)

Month	NSE		BSE		CSE	
	High	Low	High	Low	High	Low
April-11	23.35	15.05	23.35	15.30	NIL	NIL
May-11	19.05	16.35	19.70	16.35	NIL	NIL
June-11	18.80	15.10	18.90	15.05	NIL	NIL
July-11	19.30	16.15	19.25	16.00	NIL	NIL
August-11	18.60	12.90	18.55	12.85	NIL	NIL
September-11	15.30	12.90	15.20	13.00	NIL	NIL
October-11	14.75	12.60	14.69	12.60	NIL	NIL
November-11	15.20	10.05	15.25	10.01	NIL	NIL
December-11	10.85	7.55	11.25	7.58	NIL	NIL
January-12	11.90	8.05	11.40	8.10	NIL	NIL
February-12	11.20	9.75	11.25	9.66	NIL	NIL
March-12	11.90	8.90	11.90	8.94	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 : einward.ris@karvy.com / 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, 2012, 49653 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.

The Distribution of Shareholding as on 31st March, 2012

No. of Shares	Shareholders		Shares	
	Numbers	%	Numbers	%
1 - 500	121056	82.50	21334539	12.33
501 - 1000	13846	9.44	11725080	6.78
1001 - 2000	6173	4.21	9682116	5.60
2001 - 3000	1943	1.32	5032761	2.91
3001 - 4000	844	0.57	3076008	1.78
4001 - 5000	877	0.60	4201626	2.43
5001 - 10000	1111	0.76	8332731	4.82
10001 - 20000	454	0.31	6605856	3.82
20001 and Above	431	0.29	102981276	59.53
TOTAL	146735	100.00	172971993	100.00

Category of Shareholders as on 31st March, 2012

Sl. No.	Category	No. of holders	% of holders	No. of Shares	% of Shareholding
1.	Promoters	18	0.01	55673254	32.19
2.	Mutual Funds/UTI	16	0.01	66550	0.04
3.	Financial Institutions/ Banks/ Insurance Companies	62	0.04	9775878	5.65
4.	Foreign Institutional Investors	12	0.01	71517	0.04
5.	Private Corporate Bodies	1925	1.31	20214291	11.68
6.	Resident Individuals	142916	97.40	82317903	47.59
7.	NRIs & OCBs	1690	1.15	3700148	2.14
8.	Clearing Members	84	0.06	147192	0.09
9.	Trusts	11	0.01	17337	0.01
10.	Unclaimed Suspense Account	1	0.00	987923	0.57
TOTAL		146735	100.00	172971993	100.00

Disclosure of Unclaimed Suspense Account as required under Clause 5A of the Listing Agreement.

i) Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account as on 1st April, 2011	NIL
ii) Number of shareholders who approached the issuer for transfer of shares from the Unclaimed Suspense Account during the year	NIL
iii) Number of shareholders to whom shares were transferred from the Unclaimed Suspense Account during the year	NIL
iv) Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account as on 31st March, 2012	Number of shareholders : 5708 Number of Shares : 987923

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, BSE Limited and The Calcutta Stock Exchange 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, 2012, about 93.66% of the Company's shares were held in dematerialised form.

As on 31st March, 2012, 2,38,30,106 Equity Shares of the Company held by Promoters/Promoter Group companies are under lock-in period.

Warrants

On 12th March, 2012 the Company has allotted 1,18,00,000 Warrants to Promoter/Promoter Group companies on preferential basis with each Warrant convertible into one Equity Share of face value of ₹ 5/- each at a premium of ₹ 7.25 per share at the option of the Warrant holder at any time within a period of 18 months from the date of allotment of Warrants. After conversion, the paid up capital of Company will be increased from ₹ 864859965.00 comprising of 172971993 Equity Shares of ₹ 5/- each to ₹ 923859965.00 comprising of 184771993 Equity Shares of ₹ 5/- each.

Plant Locations (Manufacturing Units)

Address	Items produced
1. Uttarpara Division (UTP) Hindmotor District - 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 District - Tiruvallur, Tamil Nadu	Lancer, Cedia, Pajero, Outlander and Spare parts.
3. Pithampur Plant Pithampur Sector III Sagore - 454 774 District Dhar (Madhya Pradesh)	Mini Truck - Winner 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 Business Conduct and Ethics by all Directors and Senior Management Executives :-

April 30, 2012

The Board of Directors
Hindustan Motors Limited
"Birla Building", 14th Floor
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 Executives as defined in the Code of Business Conduct and Ethics of the Company have submitted annual declarations confirming their compliance of the same.

Thanking you

Yours faithfully
For Hindustan Motors Limited

Sd/-
Uttam Bose
CEO and Managing Director

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 : einward.ris@karvy.com / mahendra.singh@karvy.com
- For queries/assistance on issues other than shares (including those related to financial statements) :
Shri Yogesh Goenka
Chief Financial Officer and Company Secretary
Hindustan Motors Ltd.
"Birla Building", 14th Floor
9/1, R. N. Mukherjee Road
Kolkata - 700 001
Telephone No : (033) 2242 0932
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 and Company Secretary.

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

Name of Director	Shri Pradip Kumar Khaitan	Dr. Anand C. Burman	Shri Vijay Kumar Sharma
Date of birth	25th March, 1941	5th May, 1952	19th December, 1958
Date of appointment	21st December, 1989	26th November, 1997	26th October, 2009
Qualification	B.Com., LLB	M.Sc.	M.Sc.
Nature of expertise in specific functional areas	An eminent lawyer having expertise in Commercial and Corporate Laws, Arbitration, Intellectual Property, Foreign Collaborations, Mergers and Acquisitions, Restructuring and Demergers	As eminent Industrialist having expertise in Oncology, Active Pharmaceutical ingredients and formulations, a leading figure specializing in the area of research and development.	Director and Chief executive of LIC Housing Finance Ltd, having varied experience in business.
Names of directorship in other companies (only public limited companies have been considered)	<ol style="list-style-type: none"> 1 CESC Ltd. 2 Dalmia Bharat Enterprises Ltd. 3 India Glycols Ltd. 4 Electrosteel Castings Ltd. 5 OCL India Ltd. 6 Pilani Investment & Industries Corporation Ltd. 7 Graphite India Ltd. 8 Woodlands Multispeciality Hospital Ltd. 9 Visa Steel Ltd. 10 Gillanders Arbuthnot & Co. Ltd. 11 TCPL Packaging Ltd. 12 Dhunseri Petrochem & Tea Ltd. 13 Saregama India Ltd. 14 Warren Tea Ltd. 	<ol style="list-style-type: none"> 1 Dabur Pharmaceuticals Ltd. 2 Dabur India Ltd. 3 H & B Stores Limited 4 Aviva Life Insurance Company India Ltd. 5 Hero Motocorp Limited 6 Althea Lifesciences Ltd. 7 Ester Industries Ltd. 	<ol style="list-style-type: none"> 1 LIC Housing Finance Ltd. 2 LICHFL Care Homes Ltd. 3 LIC Nomura Mutual Fund Asset Mgt. Co. Ltd. 4 LICHFL Financial Services Ltd. 5 LICHFL Asset Mgt. Co. Ltd.
Names of committees of other companies in which the director is a member	<ol style="list-style-type: none"> 1 Shareholders' and Investors' Grievance Committee of Gillanders Arbuthnot & Co. Ltd. 2 Audit Committee of Pilani Investment & Industries Corporation Ltd. 3 Share Allotment Committee of Woodlands Multispeciality Hospital Ltd. 	NIL	<ol style="list-style-type: none"> 1 Investors' Grievance Committee of LIC Housing Finance Ltd. 2 Audit Committee of LICHFL Care Homes Ltd.
No. of shares held in the Company		1000	
Relationships with other Directors	No	No	No

The above report was placed before and approved by the Board at its Meeting held on 30th April, 2012.

For and on behalf of the Board of Directors

New Delhi
30th April, 2012

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, for the year ended on March 31, 2012, 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.

Place : New Delhi
Date : April 30, 2012

For **S.R. BATLIBOI & CO.**
Firm Registration Number: 301003E
Chartered Accountants
Per Raj Agrawal
Partner
Membership No.: 82028

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, 2012, all the applicable accounting standards 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
30th April, 2012

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, 2012.

A) Employed throughout the financial year and were in receipt of Gross remuneration in aggregate of not less than ₹ 6000000/- p.a.

Name / (Age)	Designation / Nature of Duties / Experience	Gross Remuneration (₹)	Net Remuneration (₹)	Qualification	Date of Commencement of Employment	Particulars of Last Employment Employer/ Last Post Held / No. of Years - Months.
--------------	---	------------------------	----------------------	---------------	------------------------------------	--

NIL

B) Employed for a part of the financial year and were in receipt of Gross remuneration in aggregate of not less than ₹ 500000/- p.m.

Jha Manoj (52)	Managing Director (28)	15899054	11231747	B. Tech. (Prod. Engg.)	19-05-2010	Escorts Ltd./Business Head / 02-01
Vijay Kumar YVS (47)	Executive Vice President - CCP (23)	1988995	1514340	B.Tech. (Mech.) MBA	16-01-2006	Delphi, Noida / Vice President / 01
Ravi K R (55)	Executive Vice President - HR (29)	5245174	3746942	MA in Personnel Mgmt., MA in Public Admin.	12-12-2005	PSEG Global / VP HR / 02

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

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. Manoj Jha.

Other terms and conditions are as per rules of the Company.

CCP denotes Automobile Division, Chennai Car Plant (Tiruvallur).

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
30th April, 2012

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. The maximum demand has been kept at 10284 KVA by taking following measures:
 1. Application of power capacitors at different sub stations.
 2. Monitoring peak load time at different shops.
 3. Reducing the number of man cooler fans.
- b. Power factor has been maintained at 0.99 resulting in saving in energy cost.
- c. Water consumption has been reduced from 705 meter cube per day to 490 meter cube per day through water management.
- d. Power consumption has been reduced in foundry by closely monitoring the operating time as well as maintenance of equipment.
- 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) Shifting of few production activities to night shift to adapt to scheduled power cuts.
- b) By controlling and monitoring Air conditioning units.
- c) Substitution of Diesel Generator by purchase of power from Tamil Nadu Electricity Board during peak hours.

At PTP Division :

- a. The load demand maintained at 600 KVA.
- b. Power factor is continued to be maintained at 0.97 - 0.98.

A.II. Impact of above energy conservation measures:

- | | | |
|--|---|--------------|
| i) Total savings (CCP) | : | ₹ 22.64 lacs |
| ii) Energy saving per unit of output at | | |
| a. CCP Division | : | ₹ 1071 |
| iii) Energy saving against total cost of energy at | | |
| a. CCP Division | : | 7.25% |

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 upgraded version of Winner for both Diesel and CNG with improved performance and functionality.
- b. Work on upgrading the existing 1.5 Diesel engine to meet BS-IV emission norms.
- c. Compliance of regulatory norms like Demisting system on all Ambassador models.

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

- a. Introduction of upgraded version of Winner to meet the demand in growing 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 emission norms on other Ambassador & Winner models.
- c. Introduction of new variants on Winner Mini Truck in higher load carrying capacity and passenger carrier vehicles.
- d. Introduction of new variant of Ambassador in commercial vehicles segment.
- e. Performance improvement of Ambassador 1800 CNG, LPG and Petrol.

B.IB At CCP Division**1. Specific areas in which R&D carried out :**

- a. Introduction of Pajero Sport Type Approval for launch.
- b. Extension Type Approval for Model Year 2012 Montero with modification of specific parts on Model Year 2010 vehicle.
- c. Introduction of Type Approval for upgraded Outlander Seven-Seater Model Year 2011.
- d. Type Approval as per Demisting Regulation for all models.

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

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

3. Future plans of action :

- a. Type Approval for in-house manufactured Pajero Sport.
- b. Development of indigenous parts for Pajero Sport.
- c. Introduction of Model Year 2013 Montero Type Approval.
- d. Type Approval for On Board Diagnostic II Regulation for all models.

B.IC At PTP Division**1. Specific areas in which R&D carried out :**

- a. Development of Passenger Carrier (9+1) on Winner Platform (CNG and Diesel).

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

- a. A new product development by the Company in Commercial Passenger segment.

3. Future plan of action :

- a. Getting ARAI approval for Winner Passenger Carrier (9+1).
- b. Introduction of manufacturing of Winner Passenger Carrier (9+1).

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

(For all the divisions taken together)

Capital Expenditure	:	₹ 57.88 lacs
Recurring	:	₹ 488.86 lacs
Total	:	₹ 546.74 lacs
Percentage of Turnover	:	1.10%

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 therefor and future plan of action
Mitsubishi Montero with Automatic Transmission	2007	Mitsubishi Motors Corporation, Tokyo, Japan	Technology for CBU route has been fully absorbed.	N.A.
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
Mitsubishi Lancer Evolution with Variable Transmission	2010	-do-	Technology for CBU route has been fully absorbed	N.A.
Mitsubishi Pajero Sport with 4 Wheel Drive Manual Transmission	2012	-do-	Technology for CBU route has been fully absorbed	N.A.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

During the financial year under review the FOB value of exports of goods by the Company aggregated to ₹ 93.14 lacs as against the corresponding figure of ₹ 13.03 lacs for the financial year ended 31st March, 2011.

During the financial year ended 31st March, 2012, the Company has imported components/spare parts, vehicles for trading and capital goods for an aggregate CIF value of ₹ 19946.35 lacs (against a corresponding figure of ₹ 28853.51 lacs for the financial year ended 31st March, 2011). The Company has also incurred expenditure in foreign currency towards Royalties, Technical know-how fees, Professional and Consultation fees, Interest and other expenses aggregating to ₹ 228.45 lacs (against a corresponding figure of ₹ 255.91 lacs for the financial year ended 31st March, 2011).

For and on behalf of the Board of Directors

New Delhi
30th April, 2012

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, 2012 and also the Statement of Profit and Loss 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 (the Order), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Without qualifying our opinion, attention is drawn to:
 - (a) Note 32 (f) to the financial statements regarding the demand for right of recompense by the Lenders under Corporate Debt Restructuring scheme. As stated in the said Note, in view of the Company's request for reduction in the amount of recompense of interest which the Lenders have agreed to consider, no provision against the balance amount of recompense payable (net of ₹ 1500 lacs already paid to the Lenders), if any, is considered necessary by the management.
 - (b) Note 48 to the financial statements regarding preparation of these accounts on a going concern basis, although a substantial portion of the Company's net-worth stands eroded. Management of the Company has initiated various measures to make the operations of the Company viable. These mitigating factors have been more fully discussed in above referred note, in view of which, the accounts have been continued to be prepared under the going concern assumption.
5. 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. The Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement referred to in this report are in agreement with the books of account as submitted to us.
 - iii. In our opinion, the Balance Sheet, Statement of Profit and Loss 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.
 - iv. On the basis of the written representations received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - v. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements 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, 2012;
 - b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
 - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **S.R. BATLIBOI & CO.**
Registration Number : 301003E
Chartered Accountants
Per **Raj Agrawal**
Partner

Place : New Delhi
Date : April 30, 2012

Membership No.: 82028

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, 2012)

- (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 material discrepancies were noticed on physical verification.
- (iii) (a) According to the information and explanations given to us, 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 (Auditors' Report) Order, 2003 (as amended) are not applicable to the Company and hence not commented upon.
- (e) The Company has taken loans from five companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 4350 lacs and the year-end balance of loans taken from such parties was ₹ 3950 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 loans are not prima facie prejudicial to the interest of the Company.
- (g) The loans taken are re-payable on demand. As informed, the lenders have not demanded repayment of any such loans 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 substantial portion 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, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company 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 respect of transactions made in pursuance of such contracts or arrangements and exceeding the value of ₹ five lacs entered into during the financial year, because of the unique and specialized nature of the items involved, no comparison of prices paid can be made with prevailing market prices at the relevant time.

- (vi) 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.*
- (b) 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, *except for service tax of ₹ 1.50 lacs (since paid).*
- (c) 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:

Nature of the Statute	Nature of dues	Amount (₹ in lacs)	Period to which amount relates	Forum where dispute is pending
The Central Excise Act, 1944	Dispute on Account of Classification, Cenvat Credit, Assessable Value, Differential Excise Duty, Input Service Tax Credit	3182.09	1984-2006	CESTAT, High Court / Commissioner (Appeals)/ Commissioner/Assistant / Commissioner of Central Excise/ CESTAT, Joint Commissioner
The Central Sales Tax Act, 1956	Stock Transfer, Non-submission of C/D Forms etc.	687.44	1995-2008	Additional Commissioner of Commercial Taxes / High Court / W.B. Commercial Tax Appellate & Revision Board / Deputy Commissioner
Tamil Nadu Sales Tax, 1959	Additional Sales tax etc.	1.05	1989-1999	Deputy Commissioner (Appeals) Tribunal
West Bengal Sales Tax Act, 1994	Non Receipt of Sales tax form Interest, Penalty, Post Return Adjustment etc.	0.37	2003-2004	W.B. Commercial Tax Appellate & Revision Board
West Bengal Value Added Tax Act, 2003	Disallowance of VAT Credit	57.24	2007-2008	Additional Commissioner
The Customs Act, 1956	Dispute on account of Classification, Duty on inclusion of Technical Know-how fees on imported goods, import of Engines, Short Levy, etc.	17.79	1990-2006	Commissioner / Assistant Commissioner Appeals / Tribunal
M.P. Commercial Tax Act, 1994	Exemption Notification denied by Commissioner Appeal	22.43	2002-2003	Commissioner Appeal of Commercial Tax

- (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 loss in the current financial year whereas in previous financial year, the Company has not incurred cash loss.*
- (xi) *Based on our audit procedures and as per the information and explanations given by the management, the Company has overdrawn cash credit borrowings and delayed in repayment of a short term loan from a bank during the year, the details whereof are as follows :*

<i>Period of Delay</i>	<i>Amount (₹ in lacs)</i>
<i>Less than 30 days</i>	<i>2806.75</i>
<i>30 to 90 days</i>	<i>1349.46</i>

The Company has not defaulted in repayment of dues to 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 the 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 banks 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 ₹ 14300 lacs approximately as at the close of the year (previous year ₹ 11600 lacs) for financing the operating losses of the Company.*
- (xviii) *The Company has made preferential allotment of shares and warrants to companies covered in the register maintained under Section 301 of the Companies Act, 1956. In our opinion, the price at which shares have been issued is not prejudicial to the interest of the Company.*
- (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.

Registration Number : 301003E

Chartered Accountants

Per Raj Agrawal

Partner

Membership No.: 82028

Place : New Delhi

Date : April 30, 2012

Balance Sheet as at March 31, 2012

		₹ in lacs	
	Notes	As at March 31, 2012	As at March 31, 2011
EQUITY AND LIABILITIES			
A. SHAREHOLDERS' FUNDS			
Share Capital	2	8657.08	8067.08
Reserves and Surplus	3	(6141.76)	(3986.76)
Warrants	35	361.38	-
		2876.70	4080.32
B. NON-CURRENT LIABILITIES			
Long-Term Borrowings	4	2954.03	3828.37
Deferred Tax Liability (Net)	5	877.90	1222.00
Other Long-Term Liabilities	6	340.29	451.51
Long-Term Provisions	7	648.31	584.28
		4820.53	6086.16
C. CURRENT LIABILITIES			
Short-Term Borrowings	8	9771.49	7925.08
Trade Payables	9	11436.49	16626.34
Other Current Liabilities	10	6077.05	7077.06
Short-Term Provisions	11	265.91	234.73
		27550.94	31863.21
		35248.17	42029.69
ASSETS			
D. NON-CURRENT ASSETS			
Fixed Assets			
Tangible Assets	12	10439.36	12252.60
Intangible Assets	12	436.61	531.99
Capital Work-In-Progress		1515.02	142.54
Intangible Assets under Development		344.31	86.17
		12735.30	13013.30
Non-Current Investments	13	8531.05	10261.08
Long-Term Loans and Advances	14	698.72	705.74
Other Non-Current Assets	15	-	-
		21965.07	23980.12
E. CURRENT ASSETS			
Inventories	16	6184.57	9573.82
Trade Receivables	17	1966.82	2164.85
Cash and Bank Balances	18	3573.67	2890.57
Short-Term Loans and Advances	19	1520.06	3418.65
Other Current Assets	20	37.98	1.68
		13283.10	18049.57
		35248.17	42029.69
Significant Accounting Policies	1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For **S.R. Batliboi & Co.**
Registration Number - 301003E
Chartered Accountants
Per **Raj Agrawal**
Partner
Membership No.: 82028
Place: New Delhi
April 30, 2012

Yogesh Goenka
Chief Financial Officer and
Company Secretary

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

C. K. Birla
Chairman

Uttam Bose
Managing Director

Statement of Profit and Loss for the Year ended March 31, 2012

		₹ in lacs	
	Notes	2011-2012	2010-2011
A. INCOME			
Revenue from Operations (Gross)	21	59192.87	80271.17
Less: Excise Duty		9645.30	14792.01
Revenue from Operations (Net)		49547.57	65479.16
Other Income	22	719.16	1024.40
		50266.73	66503.56
B. EXPENSES			
Cost of Raw Materials and Components Consumed	23	31530.53	47509.56
Purchase of Traded Goods	24	10252.98	6016.20
Decrease / (Increase) in Stocks	25	479.14	(356.55)
Employee Benefits Expense	26	8573.19	8363.83
Finance Costs	27	2028.95	2993.68
Depreciation and Amortisation Expense	28	2179.03	1673.96
Other Expenses	29	8619.36	10364.78
		63663.18	76565.46
Profit / (Loss) Before Exceptional Items and Tax		(13396.45)	(10061.90)
Add: Exceptional Items	30	10056.06	9680.53
Profit / (Loss) Before Tax		(3340.39)	(381.37)
Tax Expenses			
Deferred Tax Charge / (Credit)		(344.10)	(557.37)
Income Tax for Earlier Years (Net of write back)		(0.63)	100.77
Total Tax Expenses / (Credit)		(344.73)	(456.60)
Profit / (Loss) for the year		(2995.66)	75.23
Earning per Equity Share (Nominal value of Share ₹ 5)			
Basic	₹	(1.85)	0.05
Diluted	₹	(1.85)	0.05

Significant Accounting Policies 1

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For **S.R. Batliboi & Co.**
 Registration Number - 301003E
Chartered Accountants
 Per **Raj Agrawal**
Partner
 Membership No.: 82028
 Place: New Delhi
 April 30, 2012

Yogesh Goenka
Chief Financial Officer and
Company Secretary

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

C. K. Birla
Chairman

Uttam Bose
Managing Director

Cash Flow Statement for the year ended March 31, 2012

	₹ in lacs	
	2011 - 2012	2010 - 2011
(A) CASH FLOW FROM OPERATING ACTIVITIES :		
NET LOSS BEFORE TAX	(3340.39)	(381.37)
ADJUSTMENTS FOR :		
Depreciation and amortisation Expense	2179.03	1673.96
Exceptional Income	(10056.06)	(9680.53)
Interest Income	(146.12)	(133.96)
Finance Costs	2028.95	2993.68
Unspent Liabilities and Provisions no longer required written back	(366.88)	(523.72)
Provision for doubtful debts and advances (Net)	47.19	41.77
Unrealised Foreign Exchange Gain (Net)	98.93	(54.84)
Loss / (Profit) on Fixed Assets Sold/Discarded	29.73	29.24
Dividend Income	(91.38)	(123.10)
OPERATING (LOSS) BEFORE WORKING CAPITAL CHANGES	(9617.00)	(6158.87)
Movement in working capital		
Increase/(decrease) in Other Long Term Liabilities	(111.22)	(123.58)
Increase/(decrease) in Trade Payable and Other Current Liabilities	(5689.34)	2999.48
Increase/(decrease) in Long Term provisions	6.77	348.89
Increase/(decrease) in Short Term provisions	88.44	(166.32)
Decrease/ (Increase) in Trade Receivables	74.83	(4893.83)
Decrease/ (Increase) in Long-Term Loans and Advances and Other Non- Current Assets	(19.03)	94.53
Decrease/ (Increase) in Short-Term Loans and Advances and Other Current Assets	1919.24	74.68
Decrease/ (Increase) in Inventories	3389.25	(2378.22)
CASH USED IN OPERATIONS	(9958.06)	(10203.24)
Add: Current and Wealth Tax (Paid) / Refund (Net)	(45.15)	(155.31)
NET CASH USED IN OPERATING ACTIVITIES	(10003.21)	(10358.55)
(B) CASH FLOW FROM INVESTING ACTIVITIES :		
Sale of Fixed Assets	6536.35	4982.20
Dividend Received	91.38	123.10
Proceeds from Sale of Investments to a Subsidiary Company	-	6768.00
Proceeds from Sale of Investments to Others	4999.21	1999.60
Interest Received on Fixed Deposits and others	135.18	168.56
Purchase of Fixed Assets	(250.22)	(590.53)
Investment in Fixed Deposits/ (Proceeds from Fixed Deposit Matured)	(1523.09)	1103.06
Investment in Shares of a Subsidiary Company	-	(6825.00)
NET CASH GENERATED FROM INVESTING ACTIVITIES	9988.81	7728.99
(C) CASH FLOW FROM FINANCING ACTIVITIES :		
Repayment of Long Term borrowings	(1038.44)	(1070.83)
Proceeds from Short-Term borrowings	-	600.00
Repayment of Short-Term borrowings	(600.00)	(1000.00)
Net Increase / (Decrease) in Intercompany Deposits and others	2396.95	5525.74
Proceeds from Issue of Share Capital	1445.50	-
Proceeds from Issue of Warrants	361.38	-
Interest Paid	(3390.98)	(1473.50)
CASH GENERATED / (USED IN) FINANCING ACTIVITIES	(825.59)	2581.41
NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C)	(839.99)	(48.15)
CASH & CASH EQUIVALENTS - BEGINNING OF THE YEAR	2826.63	2874.78
CASH & CASH EQUIVALENTS - AT THE END OF THE YEAR	1986.64	2826.63
Cash and Cash Equivalents as above	1986.64	2826.63
Other Bank Balances	1587.03	63.94
Cash and Bank Balances as per Note 18.	3573.67 *	2890.57

* Includes ₹ 1.95 lacs (₹ 1.95 lacs) lying in Unpaid Dividend Account and ₹ 74.29 lacs (₹ 2262.98 lacs) having restrictive use.

As per our report of even date.

For **S.R. Batliboi & Co.**
 Registration Number - 301003E
Chartered Accountants
 Per **Raj Agrawal**
Partner
 Membership No.: 82028
 Place: New Delhi
 April 30, 2012

Yogesh Goenka
Chief Financial Officer and
Company Secretary

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

C. K. Birla
Chairman

Uttam Bose
Managing Director

Notes to financial statements for the year ended March 31, 2012

Nature of Operation :

Hindustan Motors Limited having its manufacturing facilities at Uttarpara, Tiruvallur and Pithampur, is primarily engaged in the manufacture and sale of Vehicles, Spare Parts of Vehicles, Steel Products and Components. The Company is also engaged in Trading of Vehicles and Spare Parts of Vehicles.

Basis of Preparation :

The financial statements have been prepared to comply in all material respects with the accounting principles generally accepted in India, including mandatory Accounting Standards notified under the Companies (Accounting Standard) Rules, 2006 (as amended) under the historical cost convention and on an accrual basis. The accounting policies, in all material respects, have been consistently applied by the Company and are consistent with those used in the previous year, except for changes in the presentation and disclosures of the financial statements as described in Note nos. 1(i) and 49 below.

1. Significant Accounting Policies :

(i) Changes in Accounting Policies

Dividend income from investment in subsidiary companies

Till the year ended 31st March, 2011, the Company, in accordance with the pre-revised Schedule VI requirement, was recognising dividend declared by subsidiary companies after the reporting date in the current year's Statement of Profit and Loss if such dividend pertained to the period ending on or before the reporting date. The revised Schedule VI, applicable for financial year commencing on or after 1st April, 2011, does not contain this requirement. Hence, to comply with Accounting Standard 9 Revenue Recognition, the Company has changed its accounting policy for recognition of dividend income from subsidiary companies. In accordance with the revised policy, the Company recognises dividend as income only when the right to receive the same is established by the reporting date. However, as there was no income on account of dividend from subsidiary companies in the previous year as well as current year, there is no impact on the loss for the year due to change in this accounting policy.

(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 recognised on a time proportion basis taking into account the amount outstanding and rate applicable.
- (d) Dividend income is recognised when the Company's right to receive dividend is established by the reporting date.

(iii) Fixed Assets :

- (a) Fixed Assets are stated at cost of acquisition inclusive of duties (net of Cenvat and Value Added Tax credits), taxes, incidental expenses, erection / commissioning expenses and technical know-how fees etc. up to 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 revaluation reserve.

Notes to financial statements for the year ended March 31, 2012 (Contd.)

- (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 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 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, except for vehicles used for Research and Development purpose, which are depreciated @ 20% p.a. which is higher than the rate prescribed under Schedule XIV of the Companies Act, 1956. The Company has a process of reassessment of useful life of assets and wherever necessary accelerated depreciation is provided.
 - (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.

Notes to financial statements for the year ended March 31, 2012 (Contd.)

- (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 on a straight line basis, being their estimated useful lives.
 - (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 at the rates based on their estimated useful lives, 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 Statement of Profit and Loss 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.
- Research and Development Costs**
- Research and Development Costs are expensed, except for certain development expenses which are capitalised from the time commercial and technological feasibility criteria are met. Expenditure already charged to Statement of Profit and Loss is not restated.
- (viii) **Investments :**
- (a) Investments that are readily realisable and intended to be held for not more than one 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.

Notes to financial statements for the year ended March 31, 2012 (Contd.)

- (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 comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

(xii) **Derivative Instruments :**

Derivative instruments, except for forward exchange contracts, which are not intended for trading or speculation, but as hedge for underlying transactions are accounted as per ICAI announcement. Derivative contracts, other than those covered under Accounting Standard - 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) **Retirement & other employee benefits :**

(a) **Defined Contribution plans :**

Company's contributions to Provident Fund and Superannuation Scheme are charged to Statement of Profit and Loss 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 Funds.

(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 and Loss as income or expense.

(xiv) **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

Notes to financial statements for the year ended March 31, 2012 (Contd.)

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. Exchange differences arising from foreign currency borrowings to the extent that they are regarded as finance costs in terms of the Accounting Standard 16 are considered as borrowing cost.

(xv) **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.

(xvi) **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) Deferred tax is accounted for using the tax rates and laws that have been substantively enacted at 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.

(xvii) **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 segments 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.

Notes to financial statements for the year ended March 31, 2012 (Contd.)**(xviii) Product related Warranty Claims :**

Provision for product related warranty 'costs' is based on the claims received up to 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.

(xix) 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 financial statements.

(xx) Earnings per share :

Basic 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.

(xxi) 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. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

Notes to financial statements for the year ended March 31, 2012 (Contd.)

₹ in lacs

	As at March 31, 2012	As at March 31, 2011
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A. SHAREHOLDERS' FUND**NOTE 2 : SHARE CAPITAL****Authorised**

33,00,00,000 (33,00,00,000) Equity Shares of ₹ 5 each	16500.00	16500.00
55,00,000 (55,00,000) Unclassified Shares of ₹ 100 each	5500.00	5500.00
	22000.00	22000.00

Issued

17,33,89,297 (16,15,89,297) Equity Shares of ₹ 5 each	8669.46	8079.46
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Subscribed and Paid-up

17,29,71,993 (16,11,71,993) Equity Shares of ₹ 5 each fully paid up	8648.60	8058.60
Add : Forfeited Shares (amount originally paid-up)	8.48	8.48
	8657.08	8067.08

- a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year.

Equity Shares - Subscribed and Paid up

At the beginning of the year (Nos.)	161171993	161171993
Face value at the beginning of the year	₹ 5 each	₹ 10 each
Less: Reduction in paid up value of each equity share	—	₹ 5*
Add: Issue of Equity Shares	11800000	—
Outstanding at the end of the year (Nos.)	172971993	161171993
Face value at the closing of the year	₹ 5 each	₹ 5 each

* Reduced pursuant to Capital reduction approved by Hon'ble High Court at Calcutta vide its Order dated 15th December, 2010.

b) Terms / Rights attached to Equity Shares

The Company has only one class of equity shares issued and subscribed of face value of ₹ 5 per share. Each holder of equity share is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive assets of the Company remaining after settlement of all liabilities. The distribution will be in proportion to the number of equity shares held by the shareholders. In the event of declaration of dividend by the Company, approval of shareholders will be required in its Annual General Meeting. As the Company is under Corporate Debt Restructuring Scheme, declaration of dividend would also require approval of the Lenders.

- c) During the year, the Company's promoter/promoter group companies were allotted 1,18,00,000 Equity Shares of face value of ₹ 5 each on preferential basis, at a premium of ₹ 7.25 per share on 12th March, 2012 which are locked in up to 11th March, 2015 i.e. for a period of three years from the date of allotment. The existing holding of such promoter/promoter group companies to the extent of 1,20,30,106 Equity Shares are also locked in up to 25th September, 2012 i.e. for a period of six months from the date of allotment.

- d) As per records of the Company, details of Shareholders holding more than 5% Equity Shares in the Company as on the balance sheet date.

Name of Shareholders	Nos. of equity shares held	
National Bearing Co. (Jaipur) Ltd.	22,612,354	22,612,354
Central India Industries Ltd.	12,000,600	9,850,600

As per records of the Company, including its register of Shareholders / Members and other declarations received from Shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of Shares.

- e) Terms of the securities convertible into Share Capital - Refer Note 35 below.

Notes to financial statements for the year ended March 31, 2012 (Contd.)

₹ in lacs

	As at March 31, 2012	As at March 31, 2011
A. SHAREHOLDERS' FUND		
NOTE 3 : RESERVES AND SURPLUS		
a) Capital Reserve		
As per last account	3.53	3.53
b) Securities Premium Account		
As per last year	–	317.28
Add : Received on Issue of Shares	855.50	–
	855.50	317.28
Less : Transferred for set off against deficit in statement of Profit and Loss	–	317.28
	855.50	–
c) Revaluation Reserve		
As per last account	771.12	782.89
Less: Adjusted towards assets sold	14.24	10.68
Less: Transferred to Depreciation Account	0.60	1.09
	756.28	771.12
d) Central Subsidy		
As per last account	15.00	15.00
e) Surplus / (Deficit) in the Statement of Profit and Loss		
As per last account	(4776.41)	(13227.52)
Add: Profit / (Loss) for the year	(2995.66)	75.23
	(7772.07)	(13152.29)
Less : Set off against Share Capital	–	(8058.60)
Set off against Securities Premium Account	–	(317.28)
	(7772.07)	(4776.41)
	(6141.76)	(3986.76)

B. NON-CURRENT LIABILITIES**NOTE 4 : LONG TERM BORROWINGS****SECURED**

Term Loans from		
Banks	1389.63	1389.63
Financial Institutions	369.03	369.03
	1758.66	1758.66

UNSECURED

Sales Tax Deferral Credit	1195.37	2069.71
	2954.03	3828.37

- a) Term Loans ₹ 1758.66 lacs (₹ 1758.66 lacs) from the Financial Institutions and Banks together with interest and other charges thereon, are secured by a mortgage on 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. These charges along with those referred to in Note 8 rank pari-passu amongst various Financial Institutions and Banks and are yet to be additionally secured by way of pledge of 45,50,000 equity shares of HM Export Ltd., a subsidiary company.
- b) Term Loans from Banks carry interest @ 10.897% p.a. on monthly rest. These Loans are due for repayment during the year 2013-14 in equal monthly installments.
- c) Term Loans from Financial Institutions carry interest @11% p.a. on quarterly rest. These Loans are due for repayment during the year 2013-14 in equal quarterly installments.
- d) Sales Tax Deferral Credit is interest free and payable in 6 quarterly installments as per payment schedule, from April 2013 to July 2014. Amount of remaining installments range between ₹ 50.00 lacs to ₹ 279.00 lacs per quarter.

Notes to financial statements for the year ended March 31, 2012 (Contd.)

₹ in lacs

	As at March 31, 2012	As at March 31, 2011
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B. NON-CURRENT LIABILITIES**NOTE 5 : DEFERRED TAX LIABILITY (NET)**

Deferred tax liability arising on account of:		
Timing Difference in Depreciable Assets	2633.91	3204.64
Deferred tax assets arising on account of:		
Expenses allowable against taxable income in future years	1189.97	1552.82
Unabsorbed depreciation	566.04	429.82
	<u>1756.01</u>	<u>1982.64</u>
	<u>877.90</u>	<u>1222.00</u>

In terms of accounting policy followed by the Company, deferred tax assets of ₹ 3846.16 lacs (₹ 2879.30 lacs), arising on account of carried forward unabsorbed business losses have not been recognised in the accounts.

NOTE 6 : OTHER LONG TERM LIABILITIES

VAT and Sales tax under appeal	118.07	104.48
Amount payable under Voluntarily Retirement Scheme	222.22	347.03
	<u>340.29</u>	<u>451.51</u>

NOTE 7 : LONG-TERM PROVISIONS

Gratuity (Refer Note 39)	290.03	267.45
Leave Liability	354.82	297.83
Warranties (Refer Note 34)	3.46	19.00
	<u>648.31</u>	<u>584.28</u>

C. CURRENT LIABILITIES**NOTE 8 : SHORT TERM BORROWINGS****SECURED**

From Banks		
Cash Credits	268.25	302.45
Buyers Credit in foreign currency	1493.24	1387.63
Term Loan	–	600.00
	<u>1761.49</u>	<u>2290.08</u>

UNSECURED

Deposits from :		
Subsidiary companies	510.00	310.00
Other Bodies corporate	7500.00	5325.00
	<u>8010.00</u>	<u>5635.00</u>
TOTAL	<u>9771.49</u>	<u>7925.08</u>

- a) Cash Credits facilities from Banks ₹ 268.25 lacs (₹ 302.45 lacs) and buyers credit ₹ 1493.24 lacs (₹ 1387.63 lacs) together with interest and other charges thereon, are secured by a mortgage on 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. Cash Credit is repayable on demand and carries interest @ 10.897% p.a. on monthly rest. Buyers credit is taken for period ranging from 3 to 6 months and carries interest ranging from Libor plus 0.45 % to 3.5 % p.a.

Notes to financial statements for the year ended March 31, 2012 (Contd.)

₹ in lacs

	As at March 31, 2012	As at March 31, 2011
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C. CURRENT LIABILITIES**NOTE 8 : SHORT TERM BORROWINGS** (Contd.)

- b) Short Term Loan ₹ Nil (₹ 604.10 lacs) from a Bank together with interest @ 12% p.a. thereon, is secured by way of subservient charge on all the movable fixed assets and the current assets of the Company.

The charges referred to in (a) and (b) above along with those referred to in Note. 4 (a) rank pari-passu amongst various Financial Institutions and Banks, and are yet to be additionally secured by way of pledge of 45,50,000 equity shares of HM Export Ltd., a subsidiary company.

- c) Inter corporate deposits are generally taken for a term of three months, while some of them are also payable on demand. Aggregate amount of Loans payable on demand amounts to ₹ 3535 lacs (₹ 2960 lacs).

NOTE 9 : TRADE PAYABLES

Goods and Services {Including Acceptances ₹ 2852.49 lacs (₹ 3903.01 lacs)}	7783.19	12446.61
Liabilities for Expenses on Employee Benefits and Other Expenses	3653.30	4179.73
	11436.49	16626.34

NOTE 10 : OTHER CURRENT LIABILITIES

Current maturities of unsecured Long-Term Borrowings :

Sales Tax Deferral Credit	874.34	1038.44
Current portion of amount payable under Voluntarily Retirement Schemes	157.22	216.02
Interest accrued on borrowings :		
Due	3.11	4.10
Not due	57.07	8.55
Advance against Sales / Sale of Fixed Assets	1543.27	1916.68
Statutory dues payable	2184.77	3528.67
Payable against Purchase of Fixed Assets {Including Acceptances ₹ 898.30 lacs (₹ Nil)}	951.43	41.91
Security and Other Deposits	303.89	320.74
Investor Education and Protection Fund *		
Unpaid Dividend	1.95	1.95
	6077.05	7077.06

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

NOTE 11 : SHORT-TERM PROVISIONS

Gratuity (Refer Note 39)	71.11	57.26
Leave Liability	28.11	27.07
Warranties (Refer Note 34)	166.69	150.40
	265.91	234.73

Notes to financial statements for the year ended March 31, 2012 (Contd.)

NOTE 12 : FIXED ASSETS

₹ in lacs

Particulars	Tangible Assets								Intangible Assets		
	Freehold Land	Leasehold Land	Buildings	Plant & Equipment	Furniture & Fixtures	Office Equipments	Vehicles	Total	Software	Technical Know How	Total
At Cost or Revalued Amount											
As at April 1, 2010	702.88	35.83	9378.50	34634.33	542.61	1093.58	864.75	47252.48	45.95	715.87	761.82
Additions	-	-	10.81	381.60	27.54	42.90	143.15	606.00	76.65	91.60	168.25
Disposals	8.07	5.67	110.15	265.43	37.43	173.46	109.09	709.30	-	-	-
As at March 31, 2011	694.81	30.16	9279.16	34750.50	532.72	963.02	898.81	47149.18	122.60	807.47	930.07
Additions (a)	-	-	12.06	173.60	3.08	35.26	120.15	344.15	100.44	5.01	105.45
Disposals	-	12.44	112.51	33.57	49.08	43.92	140.74	392.26	-	-	-
As at March 31, 2012	694.81	17.72	9178.71	34890.53	486.72	954.36	878.22	47101.07	223.04	812.48	1035.52
Depreciation			(b) & (c)								
As at April 1, 2010	-	8.43	5042.82	27256.95	394.94	872.03	302.26	33877.43	14.28	235.45	249.73
Charge for the year	-	0.37	207.51	1161.27	20.79	33.25	103.51	1526.70	9.88	138.47	148.35
Disposals	-	1.46	39.16	235.76	9.13	189.32	32.72	507.55	-	-	-
As at March 31, 2011	-	7.34	5211.17	28182.46	406.60	715.96	373.05	34896.58	24.16	373.92	398.08
Charge for the year	-	0.22	205.78	1562.95	16.42	56.26	137.17	1978.80	53.56	147.27	200.83
Disposals	-	3.24	74.94	22.37	19.40	39.70	54.02	213.67	-	-	-
As at March 31, 2012	-	4.32	5342.01	29723.04	403.62	732.52	456.20	36661.71	77.72	521.19	598.91
Net Block											
As at March 31, 2011	694.81	22.82	4067.99	6568.04	126.12	247.06	525.76	12252.60	98.44	433.55	531.99
As at March 31, 2012	694.81	13.40	3836.70	5167.49	83.10	221.84	422.02	10439.36	145.32	291.29	436.61

Notes :

- Includes Capital Expenditure on Scientific Research ₹ 57.88 Lacs (₹ 194.63 Lacs).
- Includes ₹ 4.50 Lacs (₹ 4.50 Lacs) being the value of shares in Co-operative Housing Societies.
- Includes proportionate cost of a part of Building (on leasehold land) and Other Assets amounting to ₹ 0.87 Lacs (₹ 79.57 Lacs) held in Joint Ownership basis with others at Kolkata.
- Land and Buildings at Uttarpara Unit were revalued during the year ended 31 March 1984 and the resulting surplus thereon, was transferred to Revaluation Reserve.

Notes to financial statements for the year ended March 31, 2012 (Contd.)

₹ in lacs

As at
March 31, 2012 As at
March 31, 2011

D. NON-CURRENT ASSETS

	Number of Shares	Face Value Per Share ₹		
NOTE : 13 NON CURRENT INVESTMENTS				
OTHER THAN TRADE-FULLY PAID (UNQUOTED) (AT COST)				
GOVERNMENT SECURITIES				
12 Year National Planning Certificates			0.02	0.02
12 Year National Defence Certificates			0.02	0.02
National Saving Certificates (matured but pending encashment)			0.06	0.06
			0.10	0.10
EQUITY SHARES				
Birla Buildings Limited	30000 (30000)	10	3.00	3.00
Pithampur Auto Cluster Limited	50000 (50000)	10	5.00	5.00
Bengal Shriram Hitech City Private Limited	2000 (2000)	10	0.20	0.20
			8.20	8.20
EQUITY SHARES IN SUBSIDIARY COMPANIES				
Hindustan Motor Finance Corporation Ltd.	250000 (250000)	10	25.05	25.05
HM Export Limited *	4599857 (4599857)	10	6825.21	6825.21
Common Stock				
Hindustan Motors Limited	100000 (100000)	US \$4	163.09	163.09
(Incorporated in the State of Delaware, USA)			163.09	163.09
Less : Diminution in the value of Investment			—	—
			6850.26	6850.26
EQUITY SHARES IN AN ASSOCIATE COMPANY				
AVTEC Limited	2965000 (6032000)	10	1672.49	3402.52
(Undertaking given to the Financial Institutions and Banks for non-disposal of the investment)			8531.05	10261.08
* 45,50,000 shares are to be pledged as additional security to the Financial Institutions and Banks.				

NOTE 14 : LONG-TERM LOANS AND ADVANCES**Unsecured considered good**

Advance against Capital Contracts	148.25	174.04
Deposits with Government Department and Others	172.46	175.54
Balances with Customs, Port Trust & Other Government Departments	—	0.24
Sales tax, VAT and Other Refunds Receivable (including amount paid under appeal)	378.01	355.92
	698.72	705.74

Notes to financial statements for the year ended March 31, 2012 (Contd.)

₹ in lacs

As at	As at
March 31, 2012	March 31, 2011

D. NON-CURRENT ASSETS**NOTE 14 : LONG-TERM LOANS AND ADVANCES** (Contd.)**Unsecured considered doubtful**

Advance against Capital Contracts	6.37	6.37
Deposits with Government Department and Others	97.51	87.68
Balances with Customs, Port Trust & Other Government Departments	2.44	2.20
Sales tax, VAT and Other Refunds Receivable (including amount paid under appeal)	51.93	56.13
	158.25	152.38
Less: Provision for Doubtful Loans and Advances	158.25	152.38
	—	—
	698.72	705.74

NOTE 15 : OTHER NON-CURRENT ASSETS**Unsecured Considered Doubtful**

Insurance & Other Claims	414.53	414.53
Export Incentives receivable	7.29	7.29
	421.82	421.82
Less: Provision for Doubtful Claims	421.82	421.82
	—	—

E. CURRENT ASSETS**NOTE 16 : INVENTORIES****At lower of cost and net realisable value**

Stores and Spares	110.76	111.70
Loose Tools	122.42	129.32
Raw Materials and Components [Including in transit ₹ 721.33 lacs (₹ 1865.39 lacs)]	3302.26	6204.53
Goods under process	679.43	1075.95
Finished Goods	509.26	521.81
Traded Goods [including in transit ₹ 23.06 lacs (₹ Nil)]	1460.44	1530.51
	6184.57	9573.82

NOTE 17 : TRADE RECEIVABLES**Debts outstanding for a period exceeding six months from the date they are due**

Considered good		
Secured	12.07	4.75
Unsecured	60.27	77.84
Unsecured considered doubtful	255.58	202.73
	327.92	285.32
Less : Provision for Doubtful Trade Receivables	255.58	202.73
	72.34	82.59

Other Debts

Secured	114.18	59.47
Unsecured	1780.30	2022.79
	1894.48	2082.26
	1966.82	2164.85

Notes to financial statements for the year ended March 31, 2012 (Contd.)

₹ in lacs

	As at March 31, 2012	As at March 31, 2011
E. CURRENT ASSETS		
NOTE 18 : CASH AND BANK BALANCES		
Cash and Cash Equivalents		
Cash-on-hand	6.43	5.08
Balances with Banks		
Current Account	1165.06	2509.51
Deposits with original maturity of 3 months or less	714.49	74.36
Unpaid Dividend Account	1.95	1.95
Remittances in transit	98.71	235.73
	1980.21	2821.55
	1986.64	2826.63
Other Bank Balances		
Margin Money Deposits	74.29	51.21
Deposits with original maturity of more than 3 months but less than 12 months	1500.10	8.26
Deposits with original maturity of more than 12 months	12.64	4.47
	1587.03	63.94
	3573.67	2890.57
NOTE 19 : SHORT-TERM LOANS AND ADVANCES		
Unsecured considered good		
Advances Recoverable in cash or in kind or for value to be received or pending adjustments	478.14	683.63
Sales tax, VAT and Other refunds receivable (including amounts paid under appeal)	624.12	2258.34
Advance payment of Income Tax and Refunds receivable (Net of provisions)	95.77	49.99
Balances with Customs, Port Trust & Other Government Departments	138.97	241.80
Deposits with Government Department and Others	12.76	93.99
Prepaid Expenses	170.30	90.90
	1520.06	3418.65
Unsecured considered doubtful		
Loan to Hindustan Motors Limited, USA, a Subsidiary company	107.65	107.65
Advances recoverable in cash or in kind or for value to be received or pending adjustments	83.23	109.29
	190.88	216.94
Less: Provision for Doubtful Loans and Advances	190.88	216.94
	1520.06	3418.65
NOTE 20 : OTHER CURRENT ASSETS		
Unsecured considered good		
Interest accrued on Deposits	11.59	0.65
Insurance & Other Claims receivable	24.88	1.03
Export Incentives receivable	1.51	—
	37.98	1.68

Notes to financial statements for the year ended March 31, 2012 (Contd.)

₹ in lacs

2011-2012 2010-2011

A. INCOME**NOTE 21 : REVENUE FROM OPERATIONS**

Sale of Products				
Vehicles	50103.35		71198.30	
Spare Parts of Vehicles	6213.17		6488.94	
Steel Products and Components	2239.63	58556.15	2070.25	79757.49
Other Operating Revenues		636.72		513.68
		<u>59192.87</u>		<u>80271.17</u>

Note :

Sales includes excise duty, delivery charges and is after adjusting incentives/ discounts and return against sales made in earlier years ₹ 93.98 lacs (₹ 76.74 lacs) and including item capitalised ₹ 143.47 lacs (₹ 97.64 lacs).

NOTE 22 : OTHER INCOME

Interest on Debts, Deposits, Advances etc.	146.12		133.96	
Dividend Income on Non Current Investments (Other than Trade)	91.38		123.10	
Unspent Liabilities and Provisions no longer required written back	366.88		523.72	
Other Non-Operating income (Net)	114.78		243.62	
	<u>719.16</u>		<u>1024.40</u>	

B. EXPENSES**NOTE 23 : COST OF RAW MATERIALS AND COMPONENTS CONSUMED**

Opening Stock	6204.53		4145.76	
Add : Purchases	28641.29		49773.79	
	34845.82		53919.55	
Less: Transferred to Other Expenses	12.15		11.66	
Sales	0.88		193.80	
Closing Stock	3302.26	3315.29	6204.53	6409.99
	<u>31530.53</u>		<u>47509.56</u>	

Note : Consumption of Raw Materials and Components includes profit / loss on sale thereof.

DETAILS OF RAW MATERIALS AND COMPONENTS CONSUMED

Steel Sheets, Plates and Flats	700.16		1650.37	
Bar, Billets, Channels and Angles	1220.68		1300.39	
Pig Iron and Scrap	229.30		122.45	
Tyres and Tubes	659.64		1026.07	
Power Units	4476.21		6521.86	
Other Components and Production Stores (including processing charges) (each being less than 10% of total value of consumption)	24244.54		36888.42	
	<u>31530.53</u>		<u>47509.56</u>	

NOTE 24 : PURCHASE OF TRADED GOODS

Vehicles	6547.47		2378.55	
Spare Parts of Vehicles	3705.51		3637.65	
	<u>10252.98</u>		<u>6016.20</u>	

Notes to financial statements for the year ended March 31, 2012 (Contd.)

₹ in lacs

2011-2012 2010-2011

B. EXPENSES**NOTE 25 : DECREASE / (INCREASE) IN STOCKS****Closing Stock**

Goods under Process				
Vehicles	547.54		906.38	
Steel Products and Components	131.89	679.43	169.57	1075.95
Finished Goods				
Vehicles	445.64		467.89	
Spare Parts of Vehicles	41.09		26.99	
Steel Products and Components	22.53	509.26	26.93	521.81
Trading Goods				
Vehicles	177.72		450.02	
Spare Parts of Vehicles	1282.72	1460.44	1080.49	1530.51
	2649.13		3128.27	

Opening Stock

Goods under Process				
Vehicles	906.38		741.12	
Steel Products and Components	169.57	1075.95	136.71	877.83
Finished Goods				
Vehicles	467.89		536.90	
Spare Parts of Vehicles	26.99		23.15	
Steel Products and Components	26.93	521.81	151.11	711.16
Trading Goods				
Vehicles	450.02		102.71	
Spare Parts of Vehicles	1080.49	1530.51	1080.02	1182.73
	3128.27		2771.72	
	479.14		(356.55)	

NOTE 26 : EMPLOYEE BENEFITS EXPENSE

Salaries, Wages and Bonus	7429.17	7080.41
Contribution to Provident, Gratuity & Other Funds	681.44	839.00
Welfare Expenses	462.58	444.42
	8573.19	8363.83

NOTE 27 : FINANCE COSTS

Interest Expense	1701.95	2716.38
Bank charges and Others	327.00	277.30
	2028.95	2993.68

NOTE 28 : DEPRECIATION AND AMORTISATION EXPENSE

On Tangible Assets	1978.80	1526.70
On Intangible Assets	200.83	148.35
	2179.63	1675.05
Less : Transfer from Revaluation Reserve being Depreciation on revaluation amount of Fixed Assets	0.60	1.09
	2179.03	1673.96

Notes to financial statements for the year ended March 31, 2012 (Contd.)

₹ in lacs

2011-2012 2010-2011

B. EXPENSES**NOTE 29 : OTHER EXPENSES**

Consumption of Stores and Spares	881.19	1265.12
Decrease / (Increase) in Excise duty on Stocks	55.64	(31.91)
Fuel and Electricity (Net)	1453.83	1678.45
Rent and Hire charges	124.76	293.54
Building Repairs	57.87	126.97
Machinery Repairs	153.04	220.07
Insurance	74.77	71.85
Rates and Taxes	168.39	154.77
Royalty	72.80	94.49
Advertising, Selling expenses and Claims (Net)	1958.23	2766.75
Delivery Charges, Freight & Transportation	155.77	175.59
Auditors' Remuneration:		
As Auditor		
Audit fee	25.00	22.00
Limited review fee	14.40	13.20
Certification fee	6.45	4.45
Out of pocket expenses	2.90	2.45
In Other capacity		
Tax audit fee	7.50	7.50
Certification fee	4.10	4.13
Exchange Rate Difference (Net)	691.58	415.17
Directors' Travelling	16.83	23.46
Cost Auditor's Remuneration	2.50	1.75
Legal and Professional Service charges	791.37	745.50
Miscellaneous Expenses	1823.52	2233.64
Provision for Doubtful Debts, Claims and Advances	85.39	64.60
Less : Written back	38.20	22.83
Irrecoverable Debts, Claims and Advances written off	14.52	32.50
Less : Adjusted against provision	14.52	27.67
Net Loss on Fixed Assets sold / discarded	29.73	29.24
	8619.36	10364.78

In respect of non-cancellable operating leases taken by the Company, the significant leasing agreements relating to certain premises are renewable on expiry of mutually acceptable terms. Such lease payments of ₹ 37.36 lacs (₹ 72.97 lacs) are recognized in the Statement of Profit and Loss as rent and the particulars of future lease payment are as follows:

Future Rental Payments		
Upto 1 year	39.23	37.36
Later than 1 year & not later than 5 years	16.68	55.90
More than 5 years	Nil	Nil

NOTE 30 : EXCEPTIONAL ITEMS

Surplus on Sale of Non Current Investments	3269.18	5260.16
Surplus on Sale of Land and Buildings	6786.88	4420.37
	10056.06	9680.53

Notes to financial statements for the year ended March 31, 2012 (Contd.)

	As at March 31, 2012	As at March 31, 2011
	₹ in lacs	
31. Estimated amount of contracts remaining to be executed on capital account and other Commitments and not provided for (Net of advances.)	1327.11	489.18
32. Contingent Liabilities not provided for in respect of :		
(a) Claims & Government demands against the Company not acknowledged as debts.		
i) Excise Duty	6397.44	6291.39
ii) Sales Tax	726.12	802.25
iii) Customs Duty	370.72	373.50
iv) Service Tax	797.49	958.99
v) Others	740.01	734.60
<p>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 ₹ 452.59 lacs (₹ 426.19 lacs).</p> <p>Included in the above are contingent liabilities to the extent of ₹ 1617.57 lacs (₹ 1638.17 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 ₹ 1171.54 lacs (₹ 1171.54 lacs) are covered by counter guarantees by the customers.</p>		
(b) Outstanding Bank Guarantees for import of materials and other accounts.	521.36	544.92
(c) Differential Duty on import of Capital goods under Export Promotion Capital Goods Scheme is ₹ 25.07 lacs (₹ 21.80 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.		
(f) The Company is under Corporate Debt Restructuring Scheme. In view of recent circular about "windfall profit / extra ordinary income" triggering the right of recompense and the Company's sale of property at Halol, Gujarat, the Lenders of the Company have quantified the claim of recompense of interest at ₹ 6554 lacs. The Company has requested the Lenders to take a reasonable view based on Company's financial position and past track record, which the Lenders have agreed to consider. Pending final decision in the matter, the Company has paid a sum of ₹ 1500 lacs to the Lenders in April 2011, which was accounted for under Interest Expense during the year 2010-11. In view of the above, no further provision there against is considered necessary by the Management.		

Notes to financial statements for the year ended March 31, 2012 (Contd.)**33. Earnings per Share (EPS)**

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

₹ in lacs

	2011-12	2010-11
Profit/(Loss) after tax as per statement of profit & loss	(2995.66)	75.23
Weighted average No. of Equity Shares outstanding during the year	161624596	161171993
Weighted number of potential Equity Shares	161737746	161171993
Nominal value of Shares (₹)	5	5
Basic EPS (₹)	(1.85)	0.05
Diluted EPS (₹)	(1.85)	0.05

34. Movement in Provisions for Warranties is as follows:

₹ in lacs

<i>As at March 31st, 2011</i>	Additions	Amount utilised	Amount written back	As at March 31st, 2012
169.40	198.91	184.61	13.55	170.15
(250.27)	(188.85)	(259.74)	(9.98)	(169.40)

35. On 12th March, 2012 the Company has allotted 1,18,00,000 Warrants to promoter/promoter group companies on preferential basis with each Warrant convertible into one Equity Share of face value of ₹ 5 each at a premium of ₹ 7.25 per share at the option of the Warrant holder at any time within a period of 18 months from the date of allotment on payment of balance consideration. The Company has already received 25% consideration for such Warrants aggregating to ₹ 361.38 lacs during the year.
36. Derivative instruments, which are not intended for trading or speculation but hedge for underlying transactions, Forward exchange contract outstanding as at year end are as follows :
- (i) JPY / USD of JPY 4569.50 lacs (JPY / USD of JPY 750 lacs).
- (ii) USD / INR of USD 29.10 lacs (USD / INR of USD 22.25 lacs).

The above forward contracts have been taken to cover the exchange risk on import payment liability of the Company.

The Company has the following un-hedged exposures in foreign currencies as at the year-end :

₹ in lacs

Sr. No.	Particulars	As at March 31, 2012	As at March 31, 2011
(i)	Trade Payable for goods / Purchases of Fixed Assets	2880.06	1088.39
(ii)	Short Term - Advance against supplies/others	565.39	313.94
(iii)	Short Term borrowings - Buyers Credit	1493.24	1387.63

Notes to financial statements for the year ended March 31, 2012 (Contd.)

37. 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:

	₹ in lacs	
	<u>2011-12</u>	<u>2010-11</u>
(i) Principal amount remaining unpaid to any supplier at the end of accounting year	563.95	1064.43
(ii) Interest due on above	26.02	62.86
Total of (i) & (ii)	589.97	1127.29
(iii) Amount of interest paid/adjusted by the Company to the suppliers	26.92	175.44
(iv) Amounts paid to the suppliers beyond the respective due date	933.75	1689.75
(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.	413.36	301.68
(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.	–	–

38. Details of Research costs :

	₹ in lacs			
Particulars	Capital Expenditure		Revenue Expenditure	
	2011-2012	2010-2011	2011-2012	2010-2011
Hindmotor Unit *	44.75	132.40	382.53	345.02
Chennai Car Plant (CCP)	–	55.00	105.65	130.63
Pithampur Plant (RTV)	13.13	7.23	0.68	3.63
	57.88	194.63	488.86	479.28

* Approved Centre.

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

	₹ in lacs	
A. Defined Contribution Plan	<u>2011-12</u>	<u>2010-11</u>
Contribution to Provident Fund	529.55	492.16
Contribution to Superannuation Fund	35.12	39.32

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 Statement of Profit & Loss and the funded status and amount recognised in the Balance Sheet for the respective plan.

Notes to financial statements for the year ended March 31, 2012 (Contd.)

		₹ in lacs				
Sl.	Particulars	2011-12		2010-11		
	<u>Gratuity</u>					
I.	Net Employee Expense / (Benefit)					
1.	Current Service Cost	122.35		116.38		
2.	Interest cost on benefit obligation	175.78		139.17		
3.	Expected Return on plan assets	(152.33)		(152.83)		
4.	Net Actuarial gain/(loss) recognised in the year	(58.10)		(174.11)		
5.	Total employee expenses recognised in Statement of Profit & Loss	87.70		276.83		
II.	Actual Return on Plan Assets	152.33		156.49		
III.	Benefit Asset/(Liability)					
1.	Defined benefit obligation	2275.24		2116.77		
2.	Fair Value of Plan Assets	1914.10		1792.06		
3.	Benefit Asset/(Liability)	(361.14)		(324.71)		
IV.	Movement in Benefit Liability					
1.	Opening defined benefit obligation	2116.77		1795.72		
2.	Interest cost	175.78		139.17		
3.	Current Service Cost	122.35		116.38		
4.	Benefits paid	(97.47)		(112.28)		
5.	Actuarial (gains) / losses on obligation	(42.19)		177.78		
6.	Closing benefit obligation	2275.24		2116.77		
V.	Movement in Fair Value of Plan Assets					
1.	Opening fair value of plan assets	1792.06		1698.07		
2.	Expected Return on plan assets	152.32		152.83		
3.	Contribution by employer	51.27		49.78		
4.	Benefits paid	(97.47)		(112.28)		
5.	Actuarial gains / (losses)	15.92		3.66		
6.	Closing fair value of plan assets	1914.10		1792.06		
VI.	The Principal actuarial assumptions are as follows					
1.	Discount Rate	8.50%		8.00%		
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	8.50%		9.00%		
VII.	The major categories of Plan Assets as a percentage of fair value of the total plan assets					
	Investment with Insurer	100%		100%		
VIII.	Amounts for the current and previous years are as follows :					
		2011-12	2010-11	2009-10	2008-09	2007-08
1.	Defined benefit obligation	2275.24	2116.77	1795.72	1610.58	2838.39
2.	Plan Assets	1914.10	1792.06	1698.07	1162.20	1257.35
3.	Surplus / (Deficit)	(361.14)	(324.71)	(97.65)	(448.38)	(1581.04)

Notes to financial statements for the year ended March 31, 2012 (Contd.)

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 Company expects to contribute ₹ 120.00 lacs (₹120.00 lacs) to Gratuity fund in 2012-2013.
- Experience adjustment on plan assets & liabilities has been considered in the valuation report as certified by the actuary.

40. Related Party Disclosures :

(a) Name of the related parties :

Subsidiary Companies	HM Export Ltd. (HME) Hindustan Motor Finance Corporation Ltd.(HMFC) Hindustan Motors Ltd., USA (HML,USA)
Associate Company	AVTEC Limited
Key Management Personnel	Mr. Manoj Jha, Managing Director (up to 31st January, 2012)

- Aggregated Related Party Disclosures as at and for the year ended March 31, 2012 are as follows.
(Transactions have taken place on arm's length basis)

₹ in lacs

Nature of Transactions	Subsidiary Companies			Associate Company	Key Managerial Personnel	Total
	HML (USA)	HMFC	HME			
Sale of Products	–	1.16 (6357.12)	–	802.35 (434.97)	–	803.51 (6792.09)
Purchases	–	–	–	3137.33 (4455.33)	–	3137.33 (4455.33)
Rent and Hire Charges Paid	–	–	–	11.26 (11.82)	–	11.26 (11.82)
Advertisement, Selling Expenses & Claims	–	–	–	-20.09 (-23.12)	–	-20.09 (-23.12)
Miscellaneous Expenses	–	–	–	23.40 (13.63)	–	23.40 (13.63)
Salaries, Allowances, Provident Fund and Others	–	–	–	–	158.99 (144.36)	158.99 (144.36)
Interest Expense	–	16.89 (8.80)	31.53 (16.92)	34.18 –	–	82.60 (25.72)
Other Non-Operating Income (Rent)	–	6.60 (6.60)	–	–	–	6.60 (6.60)
Dividend Income on Non-Current Investments	–	–	–	90.48 (122.50)	–	90.48 (122.50)
Interest Income	–	–	–	–	–	–
Non-Current Investments made during the year	–	–	–	–	–	–
Sale of Non-Current Investments	–	–	–	–	–	–
	–	–	(6768.00)	–	–	(6768.00)
Balance Outstanding at Year end						
Short term Unsecured Borrowings	–	210.00 (80.00)	300.00 (230.00)	–	–	510.00 (310.00)
Trade Receivable, Short Term Loans & Advances	4.18 (3.63)	7.42 (614.54)	–	–	–	11.60 (618.17)
Trade Payables	13.90 (13.90)	–	–	1763.67 (2355.52)	–	1777.57 (2369.42)
Non-Current Investments	–	25.05 (25.05)	6825.21 (6825.21)	1672.53 (3402.52)	–	8522.79 (10252.78)

Notes to financial statements for the year ended March 31, 2012 (Contd.)

During the year, Mr. Manoj Jha resigned as Managing Director of the Company with effect from 1st February, 2012. Pursuant to his resignation, the post of Managing Director of the Company remained vacant for the period from 1st February, 2012 to 31st March, 2012. The Company appointed Mr. Uttam Bose as Managing Director with effect from 2nd April, 2012.

41. The Company had sold 314 acres of land at Uttarpara, West Bengal in earlier years, in pursuance of a development agreement, after taking prior approval from Government of West Bengal. As per the Order issued by the Government of West Bengal, the Company has committed to make capital expenditure of ₹ 70 crores for revival of the Uttarpara Plant.
42. As the Company's business activity falls within a single primary business segment. Viz; "Automobiles" and there is no reportable secondary segment i.e. geographical segment, the disclosure requirement of Accounting Standard-17 "Segment Reporting" as notified by Companies (Accounting Standards) Rules, 2006 (as amended) is not applicable.

	₹ in lacs	
	<u>2011-12</u>	<u>2010-11</u>
43. (a) The following items are included under other heads in the Statement of Profit and Loss.		
Raw Materials and Components	12.15	6.62
Spare Parts	69.91	73.11
(b) Salaries and Wages as well as Stores consumption relating to repairs have not been segregated but are charged to the relevant account heads.		
44. C.I.F. Value of Imports		
(i) Components and Spare Parts	17734.08	27561.07
(ii) Capital Goods	1037.63	48.51
(iii) Traded Goods - Vehicles	1174.64	1243.93
45. Expenditure in Foreign Currency (subject to deduction of Tax and R.B.I. approval, wherever applicable)		
(i) Royalties, Technical Know-how Fees, Professional and Consultation fees	113.36	94.49
(ii) Interest	54.23	39.53
(iii) Other Matters	60.86	121.89
46. Earnings in Foreign Exchange		
(i) Export of goods on F.O.B. basis (including inland sales which qualify for export incentives)	93.14	13.03
(ii) Incentive & subsidy for advertisement	7.44	3.21
(iii) Warranty claims	34.08	32.96

Notes to financial statements for the year ended March 31, 2012 (Contd.)

47. 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			
	2011-12		2010-11		2011-12		2010-11	
	₹ in lacs	%	₹ in lacs	%	₹ in lacs	%	₹ in lacs	%
Indigenous	13711.31	43	21162.35	45	948.90	100	1331.88	100
Imported								
a) CIF Value	17260.90	55	23324.91	49	1.85	0	5.34	0
b) Duty, Port Charges, Transport etc.	570.47	2	3028.92	6	0.35	0	1.01	0
	17831.37	57	26353.83	55	2.20	0	6.35	0
	31542.68	100	47516.18	100	951.10	100	1338.23	100

48. The operating results for the current year have been adversely affected due to adverse exchange rate of US \$ / Japanese Yen as well as market conditions. The Management is in the process of taking necessary measures to augment the net worth and to improve the operating results including but not limited to preferential issue of capital to promoter/promoter group companies, sale of non-core assets and introduction of new variants of cars. The Management is confident that these measures are expected to result in sustainable cash flows and accordingly, the Company continues to present its financial statements on a "Going Concern" basis.

49. Previous year figures :

During the year ended 31st March 2012, revised Schedule VI notified under the Companies Act, 1956 became applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

As per our report of even date.

For **S.R. Batliboi & Co.**
Registration Number - 301003E
Chartered Accountants
Per **Raj Agrawal**
Partner
Membership No.: 82028
Place: New Delhi
April 30, 2012

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

C. K. Birla
Chairman

Yogesh Goenka
Chief Financial Officer and
Company Secretary

Uttam Bose
Managing 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, 2012, and also the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiaries, whose financial statements reflect total assets of ₹ 7464.05 lacs as at March 31, 2012, the total revenue of ₹ 716.85 lacs and cash flows amounting to ₹ 13.40 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 Standard (AS) 21, Consolidated Financial Statements and Accounting Standard (AS) 23 and Accounting for Investments in Associates in Consolidated Financial Statements, notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended).
5. Without qualifying our opinion attention is drawn to:
 - (a) Note 33 (f) to the consolidated financial statements regarding the demand for right of recompense by the Lenders under Corporate Debt Restructuring scheme. As stated in the said Note, in view of the Company's request for reduction in the amount of recompense of interest which the Lenders have agreed to consider, no provision against the balance amount of recompense payable (net of ₹ 1500 lacs already paid to the Lenders), if any, is considered necessary by the management.
 - (b) Note 46 to the consolidated financial statements regarding preparation of these accounts on a going concern basis, although a substantial portion of the Company's net-worth stands eroded. Management of the Company has initiated various measures to make the operations of the Company viable. These mitigating factors have been more fully discussed in above referred note, in view of which, the accounts have been continued to be prepared under the going concern assumption.
6. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India :
 - a. in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of Hindustan Motors Limited, its subsidiary companies and the associate company as at March 31, 2012;
 - b. in the case of the Consolidated Statement of Profit and Loss, 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.**
Registration Number : 301003E
Chartered Accountants
Per **Raj Agrawal**
Partner
Membership No.: 82028

Place : New Delhi
Date : April 30, 2012

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES
BALANCE SHEET AS AT MARCH 31, 2012

		₹ in lacs	
	Notes	As at March 31, 2012	As at March 31, 2011
EQUITY AND LIABILITIES			
A. SHAREHOLDERS' FUNDS			
Share Capital	2	8657.08	8067.08
Reserves and Surplus	3	(6044.14)	(3738.33)
Warrants	34	361.38	-
		2974.32	4328.75
B. MINORITY INTEREST		0.21	0.21
C. NON-CURRENT LIABILITIES			
Long-Term Borrowings	4	2954.03	3828.37
Deferred Tax Liability (net)	5	878.48	1222.59
Other Long-Term Liabilities	6	340.29	451.51
Long-Term Provisions	7	648.31	641.54
		4821.11	6144.01
D. CURRENT LIABILITIES			
Short-Term Borrowings	8	9261.49	7615.08
Trade Payables	9	11473.71	16646.94
Other Current Liabilities	10	6089.73	7135.49
Short-Term Provisions	11	266.89	178.69
		27091.82	31576.20
		34887.46	42049.17
ASSETS			
E. NON-CURRENT ASSETS			
Fixed Assets			
Tangible Assets	12	10452.39	12268.84
Intangible Assets	12	436.62	531.98
Capital Work-In-Progress		1515.01	142.54
Intangible Assets under Development		344.31	86.17
		12748.33	13029.53
Non-Current Investments	13	8012.59	10052.54
Deferred Tax Asset	14	1.37	1.07
Long-Term Loans and Advances	15	698.72	705.74
Other Non-Current Assets	16	-	-
		21461.01	23788.88
F. CURRENT ASSETS			
Inventories	17	6184.57	9938.76
Trade Receivables	18	1974.16	1719.46
Cash and Bank Balances	19	3695.59	3142.39
Short-Term Loans and Advances	20	1524.47	3452.65
Other Current Assets	21	47.66	7.03
		13426.45	18260.29
		34887.46	42049.17

Significant Accounting Policies

1

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For **S.R. Batliboi & Co.**

Registration Number - 301003E

Chartered Accountants

Per **Raj Agrawal**

Partner

Membership No.: 82028

Place : New Delhi

April 30, 2012

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

C. K. Birla

Chairman

Yogesh Goenka
Chief Financial Officer and
Company Secretary

Uttam Bose
Managing Director

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2012

₹ in lacs

	Notes	2011-2012	2010-2011
A. INCOME			
Revenue from Operations (Gross)	22	59777.09	81436.47
Less: Excise Duty		9645.30	15623.70
Revenue from Operations (Net)		50131.79	65812.77
Other income	23	633.13	874.40
		50764.92	66687.17
B. EXPENSES			
Cost of Raw Materials and Components Consumed	24	31533.98	47512.17
Bulletproofing of Vehicles		126.65	271.25
Purchase of Traded Goods	25	10253.32	6059.82
Decrease / (Increase) in Stocks	26	844.08	(554.86)
Employee Benefits Expense	27	8583.10	8376.28
Finance Costs	28	1980.71	2971.59
Depreciation & Amortisation Expense	29	2182.21	1677.11
Other Expenses	30	8642.27	10409.37
		64146.32	76722.73
Profit / (Loss) Before Exceptional Items and Tax and Minority Interest		(13381.40)	(10035.56)
Add: Exceptional Items	31	8598.50	5133.89
Profit / (Loss) Before Tax and Minority Interest		(4782.90)	(4901.67)
Tax Expenses			
Current Tax		18.70	63.60
Deferred Tax Charge / (Credit)		(344.41)	(557.48)
Income Tax for Earlier Years (Net of Write back)		(5.23)	101.28
Total Tax Expenses / (Credit)		(330.94)	(392.60)
Profit / (Loss) for the year Before Minority Interest		(4451.96)	(4509.07)
Less: Minority Interest		-	0.21
Profit / (Loss) for the year After Minority Interest		(4451.96)	(4509.28)
Add: Proportionate Share of Profit of Associate Company		1310.12	1292.44
Profit / (Loss) for the year		(3141.84)	(3216.84)
Earning per Equity Share (Nominal value of Share ₹ 5)			
Basic	₹	(1.94)	(2.00)
Diluted	₹	(1.94)	(2.00)
Significant Accounting Policies	1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For **S.R. Batliboi & Co.**
Registration Number - 301003E
Chartered Accountants
Per **Raj Agrawal**
Partner
Membership No.: 82028
Place : New Delhi
April 30, 2012

Yogesh Goenka
Chief Financial Officer and
Company Secretary

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

C. K. Birla
Chairman

Uttam Bose
Managing Director

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

	₹ in lacs	
	2011 -2012	2010 - 2011
(A) CASH FLOW FROM OPERATING ACTIVITIES :		
NET LOSS BEFORE TAX	(4782.90)	(4901.67)
ADJUSTMENTS FOR :		
Depreciation and amortisation Expense	2182.21	1677.11
Exceptional Income	(8598.50)	(5133.89)
Interest Income	(156.68)	(112.20)
Finance Costs	1980.70	2971.59
Unspent Liabilities and Provisions no longer required written back	(367.37)	(523.83)
Provision for doubtful debts and advances (Net)	47.19	41.77
Unrealised Foreign Exchange Gain (Net)	98.93	(54.84)
Loss / (Profit) on Fixed Assets Sold/Discarded	29.73	29.24
Dividend Income	(0.90)	(0.60)
OPERATING (LOSS) BEFORE WORKING CAPITAL CHANGES	(9567.59)	(6007.32)
Movement in working capital		
Increase/(decrease) in Other Long Term Liabilities	(111.22)	(123.58)
Increase/(decrease) in Trade Payable and Other Current Liabilities	(5735.18)	2452.96
Increase/(decrease) in Long Term provisions	6.77	348.89
Increase/(decrease) in Short Term provisions	88.20	(165.10)
Decrease/ (Increase) in Trade Receivables	(365.32)	(4084.70)
Decrease/ (Increase) in Long-Term Loans and Advances and Other Non- Current Assets	(18.78)	92.12
Decrease/ (Increase) in Short-Term Loans and Advances and Other Current Assets	1960.07	30.48
Decrease/ (Increase) in Inventories	3754.19	(2576.53)
CASH USED IN OPERATIONS	(9988.86)	(10032.78)
Add: Current and Wealth Tax (Paid) / Refund (Net)	(70.72)	(206.80)
NET CASH USED IN OPERATING ACTIVITIES	(10059.58)	(10239.58)
(B) CASH FLOW FROM INVESTING ACTIVITIES		
Sale of Fixed Assets	6536.35	4980.89
Dividend Received	0.90	0.60
Proceeds from Sale of Investments in Associate and dividend income	5161.69	2122.10
Interest Received on Fixed Deposits and others	141.41	145.31
Purchase of Fixed Assets	(250.23)	(584.16)
Investment in Fixed Deposits/ (Proceeds from Fixed Deposit Matured)	(1406.59)	941.26
NET CASH GENERATED FROM INVESTING ACTIVITIES	10183.53	7606.00
(C) CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of Long Term borrowings	(1038.44)	(1070.83)
Proceeds from Short-Term borrowings	-	600.00
Repayment of Short-Term borrowings	(600.00)	(1000.00)
Net Increase / (Decrease) in Intercompany Deposits and others	2196.95	5425.74
Proceeds from Issue of Share Capital	1445.50	-
Proceeds from Issue of Warrants	361.38	-
Interest Paid	(3342.73)	(1451.01)
CASH GENERATED / (USED IN) FINANCING ACTIVITIES	(977.34)	2503.90
NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C)	(853.39)	(129.68)
CASH & CASH EQUIVALENTS - BEGINNING OF THE YEAR	2916.65	3046.33
CASH & CASH EQUIVALENTS - AT THE END OF THE YEAR	2063.26	2916.65
Cash and Cash Equivalents as above	2063.26	2916.65
Other Bank Balances	1632.33	225.74
Cash and Bank Balances as per Note 19	3695.59 *	3142.39

* Includes ₹ 1.95 lacs (₹ 1.95 lacs) lying in Unpaid Dividend Account and ₹ 74.29 lacs (₹ 2262.98 lacs) having restrictive use.

As per our report of even date.

For **S.R. Batliboi & Co.**
Registration Number - 301003E
Chartered Accountants
Per **Raj Agrawal**
Partner
Membership No.: 82028
Place : New Delhi
April 30, 2012

Yogesh Goenka
Chief Financial Officer and
Company Secretary

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

C. K. Birla
Chairman

Uttam Bose
Managing Director

Principles of consolidated financial statements :

The consolidated financial statements 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 (AS) 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 Ownership as on 31.03.2012
Hindustan Motor Finance Corporation Ltd.	India	100.00 (100.00)
HM Export Ltd.	India	99.997 (99.997)
Hindustan Motors Ltd.	Delaware, U.S.A.	100.00 (100.00)

- (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" (Refer Note 3). The exchange rate considered for translation of financial statements of foreign subsidiary is considered at 1 US \$ = ₹ 51.1565
- (f) The associate company considered in the financial statements is as follows :

Name	Country of Incorporation	% of Ownership as at 31.03.2012
AVTEC Limited *	India	31.06 (43.33)

* including 19.20% through a subsidiary company.

- (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 of 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 Statement of Profit and Loss to the extent such change is attributable to the associate's Statement of Profit and Loss.
- (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.

1. Significant Accounting Policies :

(i) Basis of Preparation :

The financial statements have been prepared to comply in all material respects with the accounting principles generally accepted in India, including mandatory Accounting Standards notified under the Companies (Accounting Standard) Rules, 2006 (as amended) under the historical cost convention and on an accrual basis. The accounting policies, in all material respects, have been consistently applied by

the Company and are consistent with those used in the previous year, except for changes in the presentation and disclosures of the financial statements as described in Note no. 47 below.

(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 recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- (d) Dividend income is recognised when the Company's right to receive dividend is established by the reporting date.

(iii) **Fixed Assets :**

- (a) Fixed Assets are stated at cost of acquisition inclusive of duties (net of Cenvat and Value Added Tax credits), 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 revaluation 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 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, except for vehicles used for Research and Development purpose, which are depreciated @ 20% p.a. which is higher than the rate prescribed under Schedule XIV of the Companies Act, 1956. The Company has a process of reassessment of useful life of assets and wherever necessary accelerated depreciation is provided.
- (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 on a straight line basis, being their estimated useful lives.
- (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 at the rates based on their estimated useful lives, 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 Statement of Profit and Loss 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.

Research and Development Costs :

Research and Development costs are expensed, except for certain development expenses which are capitalised from the time commercial and technological feasibility criteria are met. Expenditure already charged to Statement of Profit and Loss is not restated.

(viii) **Investments :**

- (a) Investments that are readily realisable and intended to be held for not more than one 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.
- (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 comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

(xii) **Derivative Instruments :**

Derivative instruments, except for forward exchange contracts, which are not intended for trading or speculation, but as hedge for underlying transactions are accounted as per ICAI announcement. Derivative contracts, other than those covered under Accounting Standard - 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) **Retirement & other employee benefits :**

(a) **Defined Contribution plans :**

Company's contributions to Provident Fund and Superannuation Scheme are charged to Statement

of Profit and Loss 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 Funds.

(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 and Loss as income or expense.

(xiv) **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. Exchange differences arising from foreign currency borrowings to the extent that they are regarded as finance costs in terms of the Accounting Standard 16 are considered as borrowing cost.

(xv) **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.

(xvi) **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) Deferred tax is accounted for using the tax rates and laws that have been substantively enacted at 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.

xvii) **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.

(xviii) **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.

(xix) **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 financial statements.

(xx) **Earnings per share :**

Basic 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.

(xxi) **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. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

	As at March 31, 2012	As at March 31, 2011
A. SHAREHOLDERS' FUND		
NOTE 2 : SHARE CAPITAL		
Authorised		
33,00,00,000 (33,00,00,000) Equity Shares of ₹ 5 each	16500.00	16500.00
55,00,000 (55,00,000) Unclassified Shares of ₹ 100 each	5500.00	5500.00
	22000.00	22000.00
Issued		
17,33,89,297 (16,15,89,297) Equity Shares of ₹ 5 each	8669.46	8079.46
Subscribed and Paid-up		
17,29,71,993 (16,11,71,993) Equity Shares of ₹ 5 each fully paid up	8648.60	8058.60
Add : Forfeited Shares (amount originally paid-up)	8.48	8.48
	8657.08	8067.08
a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year.		
Equity Shares - Subscribed and Paid up		
At the beginning of the year (Nos.)	161171993	161171993
Face value at the beginning of the year	₹ 5 each	₹ 10 each
Less : Reduction in paid up value of each equity share	—	₹ 5*
Add: Issue of Equity Shares during the year	11800000	—
Outstanding at the end of the year (Nos.)	172971993	161171993
Face value at the closing of the year	₹ 5 each	₹ 5 each
* Reduced pursuant to Capital reduction approved by Hon'ble High Court at Calcutta vide its Order dated 15th December, 2010.		
b) Terms / Rights attached to Equity Shares		
The Company has only one class of equity shares issued and subscribed of face value of ₹ 5 per share. Each holder of equity share is entitled to one vote per share.		
In the event of liquidation of the Company, the holders of equity shares will be entitled to receive assets of the Company remaining after settlement of all liabilities. The distribution will be in proportion to the number of equity shares held by the shareholders. In the event of declaration of dividend by the Company, approval of shareholders will be required in its Annual General Meeting. As the Company is under Corporate Debt Restructuring scheme, declaration of dividend would also require approval of the Lenders.		
c) During the year, the Company's promoter/promoter group companies were allotted 1,18,00,000 Equity Shares of face value of ₹ 5 each on preferential basis, at a premium of ₹ 7.25 per share on 12th March, 2012 which are locked in up to 11th March, 2015 i.e. for a period of three years from the date of allotment. The existing holding of such promoter/promoter group companies to the extent of 1,20,30,106 Equity Shares are also locked in up to 25th September, 2012 i.e. for a period of six months from the date of allotment.		
d) As per records of the Company, details of Shareholders holding more than 5% Equity Shares in the Company as on the balance sheet date.		
Name of Shareholders	Nos. of equity shares held	
National Bearing Co. (Jaipur) Ltd.	22,612,354	22,612,354
Central India Industries Ltd.	12,000,600	9,850,600

As per records of the Company, including its register of Shareholders / Members and other declarations received from Shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of Shares.

- e) Terms of the securities convertible into Share Capital - Refer Note 34 below.

	₹ in lacs	
	As at March 31, 2012	As at March 31, 2011
A. SHAREHOLDERS' FUND		
NOTE 3 : RESERVES AND SURPLUS		
a) Capital Reserve		
As per last account	3.53	3.53
b) Securities Premium Account		
As per last year	–	317.28
Add : Received on Issue of Shares	855.50	–
	855.50	317.28
Less : Transferred for set off against deficit in statement of Profit and Loss	–	317.28
	855.50	–
c) Revaluation Reserve		
As per last account	771.12	782.89
Less : Adjusted towards assets sold	14.24	10.68
Less : Transferred to Depreciation Account	0.60	1.09
	756.28	771.12
d) Central Subsidy		
As per last account	15.00	15.00
e) Foreign Currency Translation Reserve (Refer Note No. 1(e) on Notes)		
As per last account	(4.07)	(4.46)
Add: Arisen / (Reversed) during the year	(4.63)	0.39
	(8.70)	(4.07)
f) Surplus / (Deficit) in the Statement of Profit and Loss		
As per last account	(4523.91)	(9682.95)
Add: Profit / (Loss) for the year	(3141.84)	(3216.84)
	(7665.75)	(12899.79)
Less : Set off against Share Capital	(8058.60)	
Set off against Securities Premium Account	–	(317.28)
	(7665.75)	(4523.91)
	(6044.14)	(3738.33)
C. NON-CURRENT LIABILITIES		
NOTE 4 : LONG TERM BORROWINGS		
SECURED		
Term Loans from		
Banks	1389.63	1389.63
Financial Institutions	369.03	369.03
	1758.66	1758.66
UNSECURED		
Sales Tax Deferral Credit	1195.37	2069.71
	2954.03	3828.37
a) Term Loans ₹ 1758.66 lacs (₹ 1758.66 lacs) from the Financial Institutions and Banks together with interest and other charges thereon, are secured by a mortgage on 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. These charges along with those referred to in Note 8 rank pari-passu amongst various Financial Institutions and Banks and are yet to be additionally secured by way of pledge of 45,50,000 equity shares of HM Export Ltd., a subsidiary company.		
b) Term Loans from Banks carry interest @ 10.897% p.a. on monthly rest. These Loans are due for repayment during the year 2013-14 in equal monthly installments.		
c) Term Loans from Financial Institutions carry interest @11% p.a. on quarterly rest. These Loans are due for repayment during the year 2013-14 in equal quarterly installments.		
d) Sales Tax Deferral Credit is interest free and payable in 6 quarterly installments as per payment schedule, from April 2013 to July 2014. Amount of remaining installments range between ₹ 50 lacs to ₹ 279 lacs per quarter.		

	₹ in lacs	
	As at March 31, 2012	As at March 31, 2011
C. NON-CURRENT LIABILITIES		
NOTE 5 : DEFERRED TAX LIABILITY (NET)		
Deferred tax liability arising on account of:		
Timing difference in depreciable Assets	2634.49	3205.23
Deferred tax assets arising on account of:		
Expenses allowable against taxable income in future years	1189.97	1552.82
Unabsorbed depreciation	566.04	429.82
	1756.01	1982.64
	878.48	1222.59
In terms of accounting policy followed by the Company, deferred tax assets of ₹ 3846.16 lacs (₹ 2879.30 lacs), arising on account of carried forward unabsorbed business losses relating to holding Company have not been recognised in the accounts.		
NOTE 6 : OTHER LONG TERM LIABILITIES		
VAT and Sales tax under appeal	118.07	104.48
Amount payable under Voluntarily Retirement Scheme	222.22	347.03
	340.29	451.51
NOTE 7 : LONG-TERM PROVISIONS		
Gratuity (Refer Note 40)	290.03	324.71
Leave Liability	354.82	297.83
Warranties (Refer Note 38)	3.46	19.00
	648.31	641.54
D. CURRENT LIABILITIES		
NOTE 8 : SHORT TERM BORROWINGS		
SECURED		
From Banks		
Cash Credits	268.25	302.45
Buyers Credit in foreign currency	1493.24	1387.63
Term Loan	–	600.00
	1761.49	2290.08
UNSECURED		
Deposits from :		
Other Bodies corporate	7500.00	5325.00
	7500.00	5325.00
TOTAL	9261.49	7615.08

- a) Cash Credits facilities from Banks ₹ 268.25 lacs (₹ 302.45 lacs) and buyers credit ₹ 1493.24 lacs (₹ 1387.63 lacs) together with interest and other charges thereon, are secured by a mortgage on 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. Cash Credit is repayable on demand and carries interest @ 10.897% p.a. on monthly rest. Buyers credit is taken for periods ranging from 3 to 6 months and carries interest ranging from Libor plus 0.45 % to 3.5 % p.a.

	As at March 31, 2012	As at March 31, 2011
	₹ in lacs	

D. CURRENT LIABILITIES

NOTE 8 : SHORT TERM BORROWINGS (Contd.)

- b) Short Term Loan ₹ Nil (₹ 604.10 lacs) from a Bank together with interest @ 12% p.a. thereon, is secured by way of subservient charge on all the movable fixed assets and the current assets of the Company.

The charges referred to in (a) and (b) above along with those referred to in Note. 4(a) rank pari-passu amongst various Financial Institutions and Banks, and are yet to be additionally secured by way of pledge of 45,50,000 equity shares of HM Export Ltd., a subsidiary company.

- c) Inter corporate deposits are generally taken for a term of three months, while some of them are also payable on demand. Aggregate amount of Loans payable on demand amounts to ₹ 3535 lacs (₹ 2960 lacs).

NOTE 9 : TRADE PAYABLES

Goods and Services (Including Acceptances ₹ 2852.49 lacs (₹ 3903.01 lacs))	7815.95	12459.53
Liabilities for Employee Benefits and Other Expenses	3657.76	4187.41
	11473.71	16646.94

NOTE 10 : OTHER CURRENT LIABILITIES

Current maturities of unsecured Long-Term Borrowings :		
Sales Tax Deferral Credit	874.34	1038.44
Current portion of amount payable under Voluntarily Retirement Schemes	157.22	216.02
Interest accrued on borrowings :		
Due	3.11	4.10
Not due	57.07	8.55
Advance against Sales / Sale of Fixed Assets	1555.85	1974.17
Statutory dues payable	2184.81	3529.55
Payable against purchase of Fixed Assets		
[Including Acceptances ₹ 898.30 lacs (₹ Nil)]	951.43	41.91
Security and Other Deposits	303.95	320.80
Investor Education and Protection Fund *		
Unpaid Dividend	1.95	1.95
	6089.73	7135.49

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

NOTE 11 : SHORT-TERM PROVISIONS

Gratuity (Refer Note 40)	71.48	0.35
Leave Liability	28.72	27.94
Warranties (Refer Note 38)	166.69	150.40
	266.89	178.69

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES
Notes to financial statements for the year ended March 31, 2012

NOTE 12 : FIXED ASSETS

₹ in lacs

Tangible Assets												Intangible Assets			
Particulars	Freehold Land	Leasehold Land	Buildings	Plant & Equipment	Furniture & Fixtures	Office Equipments	Vehicles	Total	Goodwill	Software	Technical Know How	Total			
At Cost or Revalued Amount															
As at April 1, 2010	702.88	35.83	9398.19	34635.03	542.75	1096.80	864.75	47276.23	0.05	45.95	715.87	761.87			
Additions	-	-	11.41	381.60	27.63	43.52	143.15	607.31	-	76.64	91.60	168.22			
Disposals	8.07	5.67	110.15	265.43	37.43	173.46	109.08	709.29	-	-	-	-			
As at March 31, 2011	694.81	30.16	9299.45	34751.20	532.95	966.86	898.82	47174.25	0.05	122.59	807.47	930.11			
Additions (a)	-	-	12.06	173.60	3.08	35.26	120.15	344.15	-	100.44	5.03	105.47			
Disposals	-	12.44	112.51	33.57	49.08	43.92	140.74	392.26	-	-	-	-			
As at March 31, 2012	694.81	17.72	9199.00	34891.23	486.95	958.20	878.23	47126.14	0.05	223.03	812.50	1035.58			
Depreciation			(b) & (c)												
As at April 1, 2010	-	8.43	5045.63	27257.25	395.08	874.46	302.26	33883.11	0.05	14.28	235.45	249.78			
Charge for the year	-	0.37	210.43	1161.30	20.79	33.45	103.51	1529.85	-	9.88	138.47	148.35			
Disposals	-	1.46	39.16	235.76	9.13	189.32	32.72	507.55	-	-	-	-			
As at March 31, 2011	-	7.34	5216.90	28182.79	406.74	718.59	373.05	34905.41	0.05	24.16	373.92	398.13			
Charge for the year	-	0.22	208.69	1562.98	16.42	56.50	137.17	1981.98	-	53.56	147.27	200.83			
Disposals	-	3.24	74.94	22.37	19.40	39.70	53.99	213.64	-	-	-	-			
As at March 31, 2012	-	4.32	5350.65	29723.40	403.76	735.39	456.23	36673.75	0.05	77.72	521.19	598.96			
Net Block															
As at March 31, 2011	694.81	22.82	4082.55	6568.41	126.21	248.27	525.77	12268.84	-	98.43	433.55	531.98			
As at March 31, 2012	694.81	13.40	3848.35	5167.83	83.19	222.81	422.00	10452.39	-	145.31	291.31	436.62			

Notes :

- (a) Includes Capital Expenditure on Scientific Research ₹ 57.88 Lacs (₹ 194.63 Lacs).
- (b) Includes ₹ 4.50 Lacs (₹ 4.50 Lacs) being the value of shares in Co-operative Housing Societies.
- (c) Includes proportionate cost of a part of Building (on leasehold land) and Other Assets amounting to ₹ 0.87 Lacs (₹ 79.57 Lacs) held in Joint Ownership basis with others at Kolkata.
- (d) Land and Buildings at Uttarpara Unit were revalued during the year ended 31 March, 1984 and the resulting surplus thereon, was transferred to Revaluation Reserve.

			₹ in lacs	
			As at March 31, 2012	As at March 31, 2011
E. NON-CURRENT ASSETS				
	No. of Shares	Face Value Per Share ₹		
NOTE 13 : NON CURRENT INVESTMENTS				
OTHER THAN TRADE-FULLY PAID (UNQUOTED) (AT COST)				
GOVERNMENT SECURITIES				
12 Year National Planning Certificates			0.02	0.02
12 Year National Defence Certificates			0.02	0.02
National Saving Certificates (matured but pending encashment)			0.06	0.06
			0.10	0.10
EQUITY SHARES				
Birla Buildings Limited	30000 (30000)	10	3.00	3.00
Pithampur Auto Cluster Limited	50000 (50000)	10	5.00	5.00
Bengal Shriram Hitech City Private Limited	2000 (2000)	10	0.20	0.20
			8.20	8.20
EQUITY SHARES IN AN ASSOCIATE COMPANY				
AVTEC Limited	7765000 (10832000)	10	4730.45	6598.87
(Undertaking given to the Financial Institutions and Banks for non-disposal of the investment)				
Less : Capital Reserve			350.38	488.77
			4380.07	6110.10
Add : Share of Post Acquisition Profit			3624.22	3934.14
			8004.29	10044.24
			8012.59	10052.54
NOTE 14 : DEFERRED TAX ASSET				
Deferred tax assets arising on account of :				
Expenses Allowable against Taxable Income in future years			1.00	0.70
Unabsorbed depreciation			0.37	0.37
			1.37	1.07
NOTE 15 : LONG-TERM LOANS AND ADVANCES				
Unsecured considered good				
Advance against Capital Contracts			148.25	174.04
Deposits with Government Department and Others			172.46	175.54
Balances with Customs, Port Trust & Other Government Departments			—	0.24
Sales tax, VAT and Other Refunds Receivable (including amount paid under appeal)			378.01	355.92
			698.72	705.74

	₹ in lacs	
	As at March 31, 2012	As at March 31, 2011
E. NON-CURRENT ASSETS		
NOTE 15 : LONG-TERM LOANS AND ADVANCES (Contd.)		
Unsecured considered doubtful		
Advance against Capital Contracts	6.37	6.37
Deposits with Government Department and Others	97.51	87.67
Balances with Customs, Port Trust & Other Government Departments	2.44	2.20
Sales tax, VAT and Other Refunds Receivable (including amount paid under appeal)	51.93	56.14
	158.25	152.38
Less: Provision for Doubtful Loans and Advances	158.25	152.38
	-	-
	698.72	705.74
NOTE 16 : OTHER NON-CURRENT ASSETS		
Unsecured Considered Doubtful		
Insurance & Other Claims	414.53	414.53
Export Incentives receivable	7.29	7.29
	421.82	421.82
Less: Provision for Doubtful Claims	421.82	421.82
	-	-
	-	-
F. CURRENT ASSETS		
NOTE 17 : INVENTORIES		
At lower of cost and net realisable value		
Stores and Spares	110.76	111.70
Loose Tools	122.42	129.32
Raw Materials and Components [Including in transit ₹ 721.33 lacs (₹ 1865.39 lacs)]	3302.26	6204.53
Goods under process	679.43	1075.95
Finished Goods	509.26	521.81
Traded Goods [including in transit ₹ 23.06 lacs (₹ Nil)]	1460.44	1895.45
	6184.57	9938.76
NOTE 18 : TRADE RECEIVABLES		
Debts outstanding for a period exceeding six months from the date they are due		
Considered good		
Secured	12.07	4.74
Unsecured	51.32	76.52
Unsecured considered doubtful	255.88	203.03
	319.27	284.29
Less : Provision for Doubtful Trade Receivables	255.88	203.03
	63.39	81.26
Other Debts		
Secured	114.18	59.47
Unsecured	1796.59	1578.73
	1910.77	1638.20
	1974.16	1719.46

	₹ in lacs	
	As at March 31, 2012	As at March 31, 2011
F. CURRENT ASSETS		
NOTE 19 : CASH AND BANK BALANCES		
Cash and Cash Equivalents		
Cash-on-hand	6.83	5.81
Balances with Banks		
Current Account	1188.13	2597.80
Deposits with original maturity of 3 months or less	767.64	75.36
Unpaid Dividend Account	1.95	1.95
Remittances in transit	98.71	235.73
	<u>2056.43</u>	<u>2910.84</u>
	2063.26	2916.65
Other Bank Balances		
Margin Money Deposits	74.29	101.21
Deposits with original maturity of more than 3 months but less than 12 months	1545.40	120.06
Deposits with original maturity of more than 12 months	12.64	4.47
	<u>1632.33</u>	<u>225.74</u>
	<u>3695.59</u>	<u>3142.39</u>
NOTE 20 : SHORT-TERM LOANS AND ADVANCES		
Unsecured considered good		
Advances recoverable in cash or in kind or for value to be received or pending adjustments	478.82	721.23
Deposits with Government Department and Others	12.91	98.28
Sales tax, VAT and Other refunds receivable (including amounts paid under appeal)	624.12	2258.34
Advance payment of Income Tax and Refunds Receivable (Net of provisions)	99.17	41.92
Balances with Customs, Port Trust & Other Government Departments	138.97	241.80
Prepaid Expenses	170.48	91.08
	<u>1524.47</u>	<u>3452.65</u>
Unsecured considered doubtful		
Advances recoverable in cash or in kind or for value to be received or pending adjustments	83.46	109.52
	<u>83.46</u>	<u>109.52</u>
Less: Provision for Doubtful Loans and Advances	<u>83.46</u>	<u>109.52</u>
	<u>1524.47</u>	<u>3452.65</u>
NOTE 21 : OTHER CURRENT ASSETS		
Unsecured considered good		
Interest accrued on Deposits	20.29	5.02
Insurance & Other Claims receivable	24.88	1.03
Export Incentives receivable	2.49	0.98
	<u>47.66</u>	<u>7.03</u>

	₹ in lacs		
	2011-2012		2010-2011
A. INCOME			
NOTE 22 : REVENUE FROM OPERATIONS			
Sale of Products			
Vehicles	50517.39		71928.59
Spare Parts of Vehicles	6212.65		6494.47
Steel Products and Components	2239.63	58969.67	2070.25
Other Operating Revenues		807.42	943.16
		59777.09	81436.47
Note :			
Sales includes excise duty, delivery charges and is after adjusting incentives/ discounts and return against sales made in ealier years ₹ 93.98 lacs (₹ 76.74 lacs) and including item capitalised ₹ 143.47 lacs (₹ 97.64 lacs).			
NOTE 23 : OTHER INCOME			
Interest on Debts, Deposits and Advances etc.	156.68		112.20
Dividend Income on Non Current Investments (Other than Trade)	0.90		0.60
Unspent Liabilities and Provisions no longer required written back	367.37		523.83
Other Non-Operating income (Net)	108.18		237.77
	633.13		874.40
B. EXPENSES			
NOTE 24 : COST OF RAW MATERIALS AND COMPONENTS CONSUMED			
Opening Stock	6204.53		4145.76
Add : Purchases	28644.74		49776.40
	34849.27		53922.16
Less: Transferred to Other Expenses	12.15	11.66	
Sales	0.88	193.80	
Closing Stock	3302.26	3315.29	6204.53
	31533.98		47512.17
Note : Consumption of Raw Materials and Components includes profit / loss on sale thereof.			
Details of Raw Materials and Components Consumed			
Steel Sheets, Plates and Flats	700.16		1650.37
Bar, Billets, Channels and Angles	1220.68		1300.39
Pig Iron and Scrap	229.30		122.45
Tyres and Tubes	659.64		1026.07
Power Units	4476.21		6521.86
Other Components and Production Stores (including processing charges) (each being less than 10% of total value of consumption)	24247.99		36891.03
	31533.98		47512.17
NOTE 25 : PURCHASE OF TRADED GOODS			
Vehicles	6547.47		2422.17
Spare Parts of Vehicles	3705.85		3637.65
	10253.32		6059.82

	₹ in lacs	
	2011-2012	2010-2011
B. EXPENSES		
NOTE 26 : DECREASE / (INCREASE) IN STOCKS		
Closing Stock		
Goods under Process		
Vehicles	547.54	906.38
Steel Products and Components	131.89	169.57
Finished Goods		
Vehicles	445.64	467.89
Spare Parts of Vehicles	41.09	26.99
Steel Products and Components	22.53	26.93
Trading Goods		
Vehicles	177.72	814.96
Spare Parts of Vehicles	1282.72	1080.49
	2649.13	3493.21
Opening Stock		
Goods under Process		
Vehicles	906.38	741.12
Steel Products and Components	169.57	136.71
Finished Goods		
Vehicles	467.89	536.90
Spare Parts of Vehicles	26.99	23.15
Steel Products and Components	26.93	151.11
Trading Goods		
Vehicles	814.96	269.34
Spare Parts of Vehicles	1080.49	1080.02
	3493.21	2938.35
	844.08	(554.86)
NOTE 27 : EMPLOYEE BENEFITS EXPENSE		
Salaries, Wages and Bonus	7437.65	7091.28
Contribution to Provident, Gratuity & Other Funds	682.45	840.12
Welfare Expenses	463.00	444.88
	8583.10	8376.28
NOTE 28 : FINANCE COSTS		
Interest Expense	1653.60	2693.69
Bank charges and Others	327.11	277.90
	1980.71	2971.59
NOTE 29 : DEPRECIATION AND AMORTISATION EXPENSE		
On Tangible Assets	1982.00	1529.85
On Intangible Assets	200.81	148.35
	2182.81	1678.20
Less : Transfer from Revaluation Reserve being Depreciation on revaluation amount of Fixed Assets	0.60	1.09
	2182.21	1677.11

₹ in lacs

2011-2012 2010-2011

B. EXPENSES

NOTE 30 : OTHER EXPENSES

Consumption of Stores and Spares	880.03	1262.74
Decrease / (Increase) in Excise duty on Stocks	55.64	(31.91)
Fuel and Electricity (Net)	1453.83	1678.45
Rent and Hire charges	125.44	304.13
Building Repairs	59.23	127.34
Machinery Repairs	153.04	220.07
Insurance	74.95	75.23
Rates and Taxes	168.52	154.92
Royalty	72.80	94.49
Advertising, Selling expenses and Claims (Net)	1958.71	2767.43
Delivery Charges, Freight & Transportation	157.16	179.57
Auditors' Remuneration:		
As Auditor		
Audit fee (Including fees to auditor of subsidiary companies ₹ 0.52 lacs (₹ 0.47 lacs)	25.52	22.47
Limited review fee	14.40	13.20
Certification fee	6.45	4.45
Out of pocket expenses	2.97	2.55
In Other capacity		
Tax audit fee	7.50	7.50
Certification fee	4.10	4.13
Exchange Rate Difference (Net)	692.28	415.16
Directors' Travelling	17.52	23.82
Cost Auditor's Remuneration	2.50	1.75
Legal and Professional Service charges	795.79	745.50
Miscellaneous Expenses	1836.33	2259.84
Provision for Doubtful Debts, Claims and Advances	85.39	64.60
Less : Written Back	38.20	22.83
Irrecoverable Debts, Claims and Advances written off	15.16	33.20
Less : Adjusted against Provision	14.52	27.67
Net Loss on Fixed Assets sold / discarded	29.73	29.24
	8642.27	10409.37

In respect of non-cancellable operating leases taken by the Company, the significant leasing agreements relating to certain premises are renewable on expiry of mutually acceptable terms. Such lease payments of ₹ 37.36 lacs (₹ 72.97 lacs) are recognised in the Statement of Profit and Loss as rent and the particulars of future lease payment are as follows :

Future Rental Payments

Upto 1 year	39.23	37.36
Later than 1 year & not later than 5 years	16.68	55.90
More than 5 years	Nil	Nil

NOTE 31 : EXCEPTIONAL ITEMS

Surplus on Sale of Non Current Investments	1811.62	713.52
Surplus on Sale of Land and Buildings	6786.88	4420.37
	8598.50	5133.89

	As at March 31, 2012	As at March 31, 2011
	₹ in lacs	
32. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances.)	1327.11	489.18
33. Contingent Liabilities not provided for in respect of :		
(a) Claims & Government demands against the Company not acknowledged as debts.		
i) Excise Duty	6397.44	6291.39
ii) Sales Tax	726.12	802.25
iii) Customs Duty	370.72	373.50
iv) Service Tax	797.49	958.99
v) Others	740.01	734.60

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 ₹ 452.59 lacs (₹ 426.19 lacs).

Included in the above are contingent liabilities to the extent of ₹ 1617.57 lacs (₹ 1638.17 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 ₹ 1171.54 lacs (₹ 1171.54 lacs) are covered by counter guarantees by the customers.

In respect of Company's Associate :

Being proportionate share of its Contingent Liability	86.78	158.96
(b) Outstanding Bank Guarantees for import of materials and other accounts.	543.37	594.89
(c) Differential Duty on import of Capital goods under Export Promotion Capital Goods Scheme is ₹ 25.07 lacs (₹ 21.80 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.		
(f) The Company is under Corporate Debt Restructuring Scheme. In view of recent circular about "windfall profit / extra ordinary income" triggering the right of recompense and the Company's sale of property at Halol, Gujarat, the Lenders of the Company have quantified the claim of recompense of interest at ₹ 6554 lacs. The Company has requested the Lenders to take a reasonable view based on Company's financial position and past track record, which the Lenders have agreed to consider. Pending final decision in the matter, the Company has paid a sum of ₹ 1500 lacs to the Lenders in April 2011, which was accounted for under Interest Expense during the year 2010-11. In view of the above, no further provision there against is considered necessary by the Management.		

34. On 12th March, 2012 the Company has allotted 1,18,00,000 Warrants to promoter/promoter group companies on preferential basis with each Warrant convertible into one Equity Share of face value of ₹ 5 each at a premium of ₹ 7.25 per share at the option of the Warrant holder at any time within a period of 18 months from the date of allotment on payment of balance consideration. The Company has already received 25% consideration for such Warrants aggregating to ₹ 361.38 lacs during the year.
35. Derivative instruments, which are not intended for trading or speculation but hedge for underlying transactions, Forward exchange contract outstanding as at year end are as follows :
- (i) JPY / USD of JPY 4569.50 lacs (JPY / USD of JPY 750 lacs).
- (ii) USD / INR of USD 29.10 lacs (USD / INR of USD 22.25 lacs).

The above forward contracts have been taken to cover the exchange risk on import payment liability of the Company.

The Company has the following un-hedged exposures in various foreign currencies as at the year end :

		₹ in lacs	
Sr. No.	Particulars	As at	As at
		March 31, 2012	March 31, 2011
(i)	Trade Payable for goods / Purchases of Fixed Assets	2880.06	1088.39
(ii)	Short Term - Advance against supplies/others	565.39	313.94
(iii)	Short Term borrowings - Buyers Credit	1493.24	1387.63

36. The Suit filed for recovery of Rent from a Sub-tenant of a subsidiary Company 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, Calcutta.

37. Earnings per Share (EPS)

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

₹ in lacs		
	2011-12	2010-11
Profit/(Loss) after tax as per statement of profit & loss	(3141.84)	(3216.84)
Weighted average No. of Equity Shares outstanding during the year	161624596	161171993
Weighted number of potential Equity Shares	161737746	161171993
Nominal value of Shares (₹)	5	5
Basic EPS (₹)	(1.94)	(2.00)
Diluted EPS (₹)	(1.94)	(2.00)

38. Movement in Provisions for Warranties is as follows:

₹ in lacs				
As at March 31st, 2011	Additions	Amount utilised	Amount written back	As at March 31st, 2012
169.40	198.91	184.61	13.55	170.15
(250.27)	(188.85)	(259.74)	(9.98)	(169.40)

39. 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 :

₹ in lacs

	<u>2011-12</u>	<u>2010-11</u>
(i) Principal amount remaining unpaid to any supplier at the end of accounting year	563.95	1066.08
(ii) Interest due on above	26.02	63.22
Total of (i) & (ii)	589.97	1129.30
(iii) Amount of interest paid/adjusted by the Company to the suppliers	26.92	175.44
(iv) Amounts paid to the suppliers beyond the respective due date	933.75	1689.75
(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	413.36	302.66
(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.	—	—

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

₹ in lacs

A. Defined Contribution Plan	<u>2011-12</u>	<u>2010-11</u>
Contribution to Provident Fund	530.01	492.81
Contribution to Superannuation Fund	35.12	39.34

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 Statement of Profit and Loss and the funded status and amount recognised in the Balance Sheet for the respective plan.

₹ in lacs

<u>Sl.</u>	<u>Particulars</u>	<u>2011-12</u>	<u>2010-11</u>
	Gratuity		
I.	Net Employee Expense / (Benefit)		
1.	Current Service Cost	122.48	116.51
2.	Interest cost on benefit obligation	175.99	139.59
3.	Expected Return on plan assets	(152.52)	(153.25)
4.	Net Actuarial gain/(loss) recognised in the year	(57.73)	(173.98)
5.	Total employee expenses recognised in Statement of Profit and Loss	88.22	276.83
II.	Actual Return on Plan Assets	152.41	156.79
III.	Benefit Asset/(Liability)		
1.	Defined benefit obligation	2278.26	2119.19
2.	Fair Value of Plan Assets	1917.12	1794.48
3.	Benefit Asset/(Liability)	(361.14)	(324.71)

		₹ in lacs				
Sl.	Particulars	2011-12	2010-11			
IV.	Movement in Benefit Liability					
1.	Opening defined benefit obligation	2119.19				1801.01
2.	Interest cost	175.99				139.59
3.	Current Service Cost	122.48				116.51
4.	Benefits paid	(97.47)				(115.45)
5.	Actuarial (gains) / losses on obligation	(41.93)				177.53
6.	Closing benefit obligation	2278.26				2119.19
V.	Movement in Fair Value of Plan Assets					
1.	Opening fair value of plan assets	1794.48				1703.37
2.	Expected Return on plan assets	152.40				153.13
3.	Contribution by employer	51.79				49.77
4.	Benefits paid	(97.47)				(115.45)
5.	Actuarial gains / (losses)	15.92				3.66
6.	Closing fair value of plan assets	1917.12				1794.48
VI.	The Principal actuarial assumptions are as follows					
1.	Discount Rate	8.50%				8.00%
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	8.50%				9.00%
VII.	The major categories of Plan Assets as a percentage of fair value of the total plan assets					
	Investment with Insurer	100%				100%
VIII.	Amounts for the current and previous years are as follows :					
		2011-12	2010-11	2009-10	2008-09	2007-08
1.	Defined benefit obligation	2278.26	2119.19	1801.01	1615.41	2842.84
2.	Plan Assets	1917.12	1794.48	1703.36	1167.03	1261.80
3.	Surplus / (Deficit)	(361.14)	(324.71)	(97.65)	(448.38)	(1581.04)

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 Company expects to contribute ₹ 120 lacs (₹ 120.00 lacs) to Gratuity fund in 2012-2013.
- Experience adjustment on plan assets & liabilities has been considered in the valuation report as certified by the actuary.

41. Related Party Disclosures :

(a) Name of the related parties :

Associate Company	AVTEC Limited
Key Management Personnel	Mr. Manoj Jha, Managing Director (upto 31st January, 2012)

- (b) Aggregated Related Party Disclosures as at and for the year ended March 31, 2012 are as follows.
(Transactions have taken place on arm's length basis)

₹ in lacs

Nature of Transactions	Associate Company	Key Managerial Personnel	Total
Sales	802.35 (434.97)	— —	802.35 (434.97)
Purchase	3137.33 (4455.33)	— —	3137.33 (4455.33)
Interest Expense	34.18 —	— —	34.18 (—)
Miscellaneous Expenses	23.40 (13.63)	— —	23.40 (13.63)
Rent and Hire Charges Paid	11.26 (11.82)	— —	11.26 (11.82)
Salaries, Allowances, Provident Fund and Others	— —	158.99 (144.36)	158.99 (144.36)
Advertisement, Selling expenses and Claims	(-20.09) (-23.12)	— —	(-20.09) (-23.12)
Balance Outstanding at Year end			
Trade Payables	1763.67 (2355.52)	— —	1763.67 (2355.52)
Investment	1672.53 (3402.52)	— —	1672.53 (3402.52)

During the year, Mr. Manoj Jha resigned as Managing Director of the Company with effect from 1st February, 2012. Pursuant to his resignation, the post of Managing Director of the Company remained vacant for the period from 1st February, 2012 to 31st March, 2012. The Company appointed Mr. Uttam Bose as Managing Director with effect from 2nd April, 2012.

42. Details of Research costs :

₹ in lacs

	Capital Expenditure		Revenue Expenditure	
	2011-2012	2010-2011	2011-2012	2010-2011
Hindmotor Unit *	44.75	132.40	382.53	345.02
Chennai Car Plant (CCP)	—	55.00	105.65	130.63
Pithampur Plant (RTV)	13.13	7.23	0.68	3.63
	57.88	194.63	488.86	479.28

* Approved Centre.

43. The Company had sold 314 acres of land at Uttarpara, West Bengal in earlier years, in pursuance of a development agreement, after taking prior approval from Government of West Bengal. As per the Order issued by the Government of West Bengal, the Company has committed to make capital expenditure of ₹ 70 crores for revival of the Uttarpara Plant.
44. As the Company's business activity falls within a single primary business segment. Viz; "Automobiles" and there is no reportable secondary segment i.e. geographical segment, the disclosure requirement of Accounting Standard-17 "Segment Reporting" as notified by Companies (Accounting Standards) Rules, 2006 (as amended) is not applicable.
45. In terms of exemption granted by the Ministry of Corporate Affairs (MCA) regarding attachment of financial statements of its subsidiary companies vide its circular dated 8th February, 2011, following information has been given for the subsidiary companies.
- Hindustan Motor Finance Corporation Ltd. (HMFC)
 - HM Export Limited (HME)
 - Hindustan Motors Limited, USA (HML, USA)

₹ in lacs

Particulars	HMFC	HME	HML USA	Total
Capital	25.00 (25.00)	460.00 (460.00)	158.64 (158.64)	643.64 (643.64)
Reserves	255.98 (234.02)	6665.64 (6572.96)	– (–)	6921.62 (6806.98)
Total assets	313.55 (259.08)	7132.46 (7032.96)	18.05 (253.56)	7464.06 (7545.60)
Total liabilities	313.55 (259.08)	7132.46 (7032.96)	18.05 (253.56)	7464.06 (7545.60)
Investments *	– (–)	6768.00 (6768.00)	– (–)	6768.00 (6768.00)
Turnover including other income	610.13 (6647.06)	106.72 (77.80)	– (–)	716.85 (6724.86)
Profit before tax	29.75 (143.39)	98.67 (27.08)	– (–)	128.42 (170.47)
Provision for tax	7.80 (48.25)	5.99 (15.76)	– (–)	13.79 (64.01)
Profit after tax	21.95 (95.14)	92.68 (11.33)	– (–)	114.63 (106.47)

*HME has investment in 4800000 lacs equity shares of ₹10 each of AVTEC Limited (An associate company).

46. The operating results for the current year have been adversely affected due to adverse exchange rate of US\$/Japanese Yen as well as market conditions. The Management is in the process of taking necessary measures to augment the net worth and to improve the operating results including but not limited to preferential issue of capital to promoter/promoter group companies, sale of non-core assets and introduction of new variants of cars. The Management is confident that these measures are expected to result in sustainable cash flows and accordingly, the Company continues to present its financial statements on a "Going Concern" basis.

47. Previous year figures :

During the year ended 31st March 2012, revised Schedule VI notified under the Companies Act, 1956 became applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

As per our report of even date.

For **S.R. Batliboi & Co.**
Registration Number - 301003E
Chartered Accountants
Per **Raj Agrawal**
Partner
Membership No.: 82028
Place : New Delhi
Date : April 30, 2012

Yogesh Goenka
*Chief Financial Officer and
Company Secretary*

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

C. K. Birla
Chairman

Uttam Bose
Managing Director

NOTES

[illegible]

ATTENDANCE SLIP

HINDUSTAN MOTORS LIMITED

Regd. Office : "Birla Building", 14th Floor, 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 **70th Annual General Meeting** of the Company held on Monday, the 13th August, 2012 at 2.30 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", 14th Floor, 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 **70th Annual General Meeting** of the
Company to be held on Monday, the 13th August, 2012 at 2.30 p.m. and/or at any adjournment thereof.

Signed this day of, 2012

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.

Book Post

if undelivered please return to :



“Birla Building”

9/1, R.N. Mukherjee Road, 14th Floor, Kolkata 700 001