HMT MACHINE TOOLS LIMITED

CONTENTS

BOARD OF DIRECTORS

Shri S. G. Sridhar	Chairman
Shri G. K. Pillai	Chairman (up to 31-12-2011)
Shri M.D. Sreekumar	Managing Director (w.e.f. 26-4-2012)
Shri Harbhajan Singh	Director
Shri Ashok Gupta	Special Director (BIFR)
Shri B.M. Shivashankar	Director (Technology) (w.e.f. 21-6-2012)

AUDITORS

M/s. Vishnu Rajendran & Co.
Chartered Accountants
Bangalore

BANKERS

UCO Bank
Punjab National Bank
Andhra Bank
State Bank of Travancore

REGISTERED OFFICE

" HMT BHAVAN"
59, Bellary Road,
Bangalore - 560 032

PERFORMANCE HIGHLIGHTS

(₹ In lakhs)

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
OPERATING STATISTICS										
Sales	**24046**	21068	20962	20060	26521	25661	24218	23343	19821	22998
*Other Income	**2330**	1372	2851	3125	2012	6779	16253	5686	1477	2264
Materials	**9982**	7108	7602	8125	9001	9445	10488	10539	7600	7997
Employee Cost	**13684**	15248	12410	13754	15901	25793	17960	13627	12939	13208
Other costs	**5343**	5757	4942	5435	6704	6428	7051	6957	6284	6677
Depreciation	**978**	985	788	565	388	425	515	562	583	627
Earnings before interest	**-3015**	-8045	-3,841	-3907	-4380	-11491	5577	-1424	-6291	-5558
Interest	**1599**	1261	739	-250	-387	3434	6180	5956	5617	4647
Earning/ (Loss)before Tax	**-4614**	-9306	-4580	-3657	-3993	-14925	-603	-7380	-11908	-10205
Taxation				60	57	53	53			
Net Earnings	**-4614**	-9306	-4580	-3717	-4050	-14978	-656	-7380	-11908	-10205
FINANCIAL POSITION										
Net Fixed Assets	**8489**	9382	9432	7375	4132	3038	2842	3488	4005	4530
Current Assets	**22969**	21672	25521	31448	40179	41236	24614	24882	24233	26287
Current Liabilities & Provisions	**34921**	29570	26857	27059	27797	28771	30441	25479	27233	27524
Working Capital	**-11952**	-7898	-1336	4389	12382	12465	-5827	-597	-3000	-1237
Capital Employed	**-3463**	1484	8096	11764	16514	15503	-2985	2891	1005	3293
Investments								1	1	1
Miscellaneous Expenditure		4	6	8	643	250	13747	16577	18834	21653
Borrowings	**12338**	12675	9983	9073	10740	7448	56024	64574	57565	50764
Net Worth	**-15801**	-11191	-1887	2691	5773	8056	-59008	-61682	-56559	-47470
OTHER STATISTICS										
Capital Expenditure	**-105**	-988	-2893	-3809	-710	-625	25	-46	-72	-316
Internal Resources Generated	**-3636**	-8321	-3792	-3152	-3662	-14553	-141	-6818	-11325	-9578
Working Capital turnover Ratio	**-2.01**	-2.67	-15.69	4.57	2.14	2.06	-4.16	-39.10	-6.61	-18.59
Current Ratio	**0.66**	0.73	0.95	1.16	1.45	1.43	0.81	0.98	0.89	0.96
Return on Capital (%)	**0.21**	-0.51	-2.17	-3.803	-3.95	-0.42	0.07	-0.26	-0.18	-0.80
Employees (Nos)	**3278**	3652	3808	3826	4188	4236	4386	4531	4714	4604
Per Capita Sales	**7.34**	5.77	5.50	5.24	6.33	6.06	5.52	5.15	4.20	5.00

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Thirteenth Annual Report and audited Annual accounts of the Company for the year ended 31st March 2012.

PERFORMANCE

The turnover of the Company during the year 2011-12 was ₹ 218.51 Cr. as compared to ₹ 192.56 Cr. in the previous year with a growth of 14%. The Orders valued ₹ 277.47 Cr. was procured during 2011-12 with a growth of 13% over the previous year.

FINANCIAL HIGHLIGHTS

The operations of your Company resulted in a net loss of ₹ 46.14 Cr. as against a loss of ₹ 93.06 Cr. incurred in the previous year, as detailed below:

Earnings	Current year 2011-2012	Previous Year 2010-2011
Production	218.17	177.43
Sales	218.51	192.56
Sale value of Production	226.26	177.90
Added Value	126.44	106.82
Gross Profit / Loss before Interest & Taxes	30.15	80.46
Interest	15.99	12.61
Net Profit/(Loss) before DRE	(46.14)	(93.06)
Def. Revenue Expenditure/VRS	-	-
Income from NPA Sale	-	-
Net Profit/ (loss) after tax	(46.14)	(93.06)

DIVIDEND

In view of the losses incurred during the year, your Directors are unable to recommend any Dividend on the Paid up Equity Share Capital and Preference Share Capital of the Company for the year 2011-12.

SHARE CAPITAL

The Authorized Share Capital of the Company stood at ₹ 800 Cr. comprising Equity Share Capital of ₹ 355 Cr. and Preference Share Capital of ₹ 445 Cr. The Issued, Subscribed and Paid up Share Capital of the Company stood at ₹ 719,59,91,370/- consisting of 27,65,99,137 Equity Shares of ₹ 10/ each and 4,43,00,000 Preference Shares of ₹ 100/- each which is entirely held by HMT Limited, the Holding Company. The Networth of the Company as on 31st March 2012 is ₹ (158.01) Cr.

Your Company had planned to repay Rs 443 Cr. to the Government of India through HMT Limited, the Holding Company against redemption of Preference Share Capital by 31st March, 2011 out of sale proceeds of identified surplus asset, as per the revival plan sanctioned by GoI. The redemption of Preference Share Capital could not take place as the Lands, though vested with the Company vide the Scheme of Arrangement of Government of India in the year 2001, the mutation in respect of the same has not been recorded in the name of the Company in the revenue records. The sale of surplus lands of the Company for the purposes of redemption of Preference Share capital is being included in the revival plans of HMT Limited, the Holding Company and would be taken up after the approval and sanction of the same by GoI. The Hon'ble Bench of the BIFR has been intimated about the status. Your Company has requested the Government for extension of period of redemption of Preference Shares upto 31st December, 2012.

IMPLEMENTATION OF BIFR ORDER

Your Company registered with Board for Industrial and Financial Reconstruction (BIFR) is in the midst of implementation of the sanctioned Rehabilitation Scheme. The Company has approached the Institutions / Companies and Banks for the reliefs and concessions, as sanctioned by BIFR. The Company appreciates Government of Karnataka, HAL and other agencies who have extended the reliefs and concessions to the Company. The reliefs are also under consideration by some other Parties.

The consortium of Banks had challenged before the AAIFR against the relief for refunding excess interest charged over BPLR & penal interest, for the period prior to the registration of the Company as Sick Industrial Company. AAIFR passed the order to the

Banks for refund of penal interest for the prior period as agreed by them and advised the Company to approach RBI for waiver of excess interest related to the prior period.

COFMOW has filed Writ Petition with the High Court of Delhi against the relief of refunding Liquidated Damages deducted by COFMOW against late supply of machines by the Company. High Court of Delhi has referred the matter to AAIFR for deciding the case on merits which is being contested by the Company.

All post merger activities related to Praga Tools Limited merger with your Company has been completed.

MARKET SCENARIO AND FUTURE OUTLOOK

Machine tools from user segments such as Auto-components, Capital goods, and electronic components etc., recorded a good growth in turnover during 2011-12. This growth in various sectors presents a positive outlook for the year 2012-13. As per Indian Machine Tools Manufacturers Association (IMTMA) the industry is looking at a compounded annual growth rate (CAGR) of 15% during the 12th five year plan period. The domestic consumption of machine tools for the year 2012-13 is expected to be around Rs.15,000 Cr. About 30% of Country's Machine Tools consumption is addressed by domestic Machine Tools manufacturers' and the rest is from imports. The Country's production is likely to be around Rs. 5000 Cr during 2012-13.

Major manufacturers especially in sectors such as auto & auto ancillary, defence, power, consumer durables etc. have projected substantial investments in the year 2012-13, which are promising for Machine Tool Business.

AUDITORS

M/s Vishnu Rajendran & Co, Chartered Accountants, were appointed as Statutory Auditors of the Company for the year 2011-12 by the Comptroller & Auditor General of India and separate Branch Auditors were also appointed for the Company.

Replies to the observations/qualifications made by the Statutory Auditors on the Accounts and on the Comments by the Comptroller and Auditor General of India on the Accounts are given separately.

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

Particulars with respect to conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under the Company's (Disclosure of particulars in the Report of Board of Directors) Rules, 1998 are annexed to this Report.

PERSONNEL

The total employee strength of the Company as on 31.3.2012 was 3278. During the Financial Year 2011-12, 377 employees have separated from the Company.

The details of different categories of personnel in position as on 31.3.2012 are given hereunder:

Scheduled Castes	610
Schedule Tribes	173
Other Backward Class	839
Ex-service men	18
Person with Disabilities (PWD)	**52**

PARTICULARS OF EMPLOYEES

Information in accordance with Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules,1975, as amended is NIL for the year 2011-12.

EMPLOYEE RELATIONS

Harmonious and cordial Industrial relations generally prevailed during the year.

VIGILANCE ACTIVITIES

The Vigilance Cell is functioning and keeping watch on the overall vigilance activities of the Company. The Vigilance Officers of each of the Units are carrying out surprise checks and inspections in various Departments. Transparency in various areas of Company operations helps to achieve vigilance objectives.

IMPLEMENTATION OF OFFICIAL LANGUAGE

The Company continued its thrust for implementation of

Official Language in the Company as per the directions and guidelines of the Government. The Official Language Implementation Committee has been constituted in all the Units of the Company as well as Corporate Office, Bangalore for monitoring the Implementation of Official Language Act, Rules, Policy etc., and meets quarterly. Various Hindi programmes like Hindi workshop and “pakwada” were conducted at the Corporate and the Unit level for increase in the use of Hindi as Official Language.

CORPORATE GOVERNANCE

Your Company is committed to the adoption of best Governance practices and its adherence in the true spirit, at all times. Being a Government Company, appointment of Directors and fixing of remuneration for Directors are decided by Govt. of India. With a view to strengthening the Corporate Governance framework, the Department of Public Enterprises, GoI has issued the Guidelines on Corporate Governance for PSE's which are mandatory from the year 2010-11. In line with the guidelines your Company strives for excellence through adoption of best governance and disclosure practices.

A report on the Corporate Governance is annexed as part of this report along with the Compliance Certificate from the Auditors. A Report on Management Discussion & Analysis and a declaration by the Managing Director for having obtained affirmation of compliance of the Code of Conduct by the Board Members and Senior Management for the year ended March 31, 2012 is also appended to this Report.

DIRECTORS RESPONSIBILITY STATEMENT

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

I. In the preparation of the Annual Accounts, the applicable accounting standards have been followed and there has been no material departures from accounting standards;

II. The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit/(loss) of the Company for that period;

III 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;

IV The Directors have prepared the annual accounts on a 'going concern' basis.

DIRECTORS

The Ministry of Heavy Industries and Public Enterprises, Department of Heavy Industry, New Delhi vide Presidential Order No.F.No.5-1(4)/2009- P.E. X (Pt.) dt. 9th January 2012 assigned Shri S.G. Sridhar, Chairman & Managing Director, HMT Limited, and Director on the Board of the Company, additional charge of Managing Director of the Company for a period of three months w.e.f 01.01.2012, consequent upon superannuation of Shri G.K. Pillai, Part time Chairman of the Company, who was also holding additional charge of the post of Managing Director of the Company. Shri S.G. Sridhar is Chairman and Managing Director of HMT Limited, the Holding Company and therefore will be the Chairman of the Company.

The Ministry of Heavy Industries and Public Enterprises, Department of Heavy Industry, New Delhi vide Presidential Order No.F.No.5-1(4)/2009- P.E. X dt. 30th March 2012 has appointed Shri M.D. Sreekumar, Director (Technical & Operations), HLL Lifecare Limited, as Managing Director of the Company for a period of five years from the date of his assumption of charge of the post, or till the date of his superannuation, or until further orders, whichever is the earliest. Shri M D Sreekumar assumed charge of the post on 26th April, 2012. In accordance with Section 260 of the Companies Act, 1956 read with Article 77 & 90 of the Articles of Association of the Company, Shri M.D. Sreekumar, shall hold the directorship upto the 13th Annual General Meeting of the Company and is eligible for re-appointment at the meeting. Accordingly, Shri M. D. Sreekumar is proposed for re-appointment in terms of Articles 77 & 90 of the Articles of Association of the Company read with Sections 255, 257, 260 and 262 of the Companies Act, 1956.

The Ministry of Heavy Industries and Public Enterprises, Department of Heavy Industry, New Delhi, vide Presidential Order No. F.No.5-1(12)/2010-P.E.X dated 20th June 2012 has appointed Shri B.M. Shivashankar, Joint General Manager (Designs), HMT Machine Tools Limited as Director (Technology) , in the Company with effect from the date of assumption of charge of the post till the date of his superannuation, or until further orders, whichever is earlier. Shri B.M. Shivashankar assumed charge of the post on 21st June, 2012. Shri B.M. Shivashankar, shall hold the directorship upto the 13th Annual General Meeting of the Company and is eligible for re-appointment at the meeting. Accordingly Shri B.M. Shivashankar is proposed for reappointment in terms of Articles 77 & 90 of the Articles of Association of the Company read with Sections 255, 257, 260 and 262 of the Companies Act, 1956.

The Board of Directors record their appreciation for the contributions made by Shri G.K. Pillai during his tenure as Part time Chairman of the Company.

In terms of provisions of Section 256 of the Companies act, 1956 and Article 77 of the Articles of Association of the Company, Shri Harbhajan Singh, Director retires by rotation at the ensuing Annual General Meeting and is eligible for reappointment.

ACKNOWLEDGEMENTS

The Directors are thankful to HMT Limited, the Holding Company, its Subsidiaries, various Departments and Ministries in the Government of India, particularly the Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises, Ministry of Corporate Affairs, Comptroller & Auditor General of India, Principal Director-Commercial Audit, Statutory and Branch Auditors, Director General Supplies & Disposals, Director General, Ordnance Factories, various State Governments, Suppliers and Dealers, the Consortium of Banks led by UCO Bank and valued customers of the Company both in India and abroad for their continued co-operation and patronage.

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

For and on behalf of the Board of Directors

(S.G. SRIDHAR)
Chairman

Place : Bangalore
Date : 17th September, 2012

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

Sl. No.	Statutory Auditors' Observations	Company's Reply
4	Accounting Standard-9 (Revenue Recognition), where the company is, in case of FOR Destination Contracts, recognizing its revenue on sales when "LR/GR obtained and endorsed in favour of customer" though the significant risk and rewards is not transferred to buyer. Consequently, the Sales which are in Transit as on March 31, 2012 and whose ownership is still lying with the Company are recognized as sales for the financial year 2011-12. This has resulted in overstatement of sales by ₹ 696.13 lakhs and understatement of loss by ₹ 74.92 lakhs.	The Company's Accounting Policy is in line with AS-9 and has been followed consistently in the past. There is no deviation in the accountal of sales as far as the significant risks and ownership of goods stands transferred to the buyer based on the physical despatch and GC note made in the name of customer. Moreover, as per the terms and conditions of contract, the machine should not be despatched/delivered without getting the same inspected and issue of inspection notes by the Quality Assurance Officer nominated as per contract. Accordingly the customer has inspected and accepted the machine and given clearance for despatch before 31st March 2012. In view of the above, the accounting of such FOR contracts as sales has not resulted in over statement of sale by ₹ 696.13 lakhs and under statement of loss by ₹ 74.92 lakhs.
6. a)	Non - confirmation of debtors, creditors and advances, the consequential effect on the financial statements is not ascertainable.	Proper disclosure has been made vide point No. 14 under Notes No.34 (additional disclosure) forming part of Annual Accounts for the year 2011-12. Efforts are being made to get the confirmations from the concerned parties.
6. b)	Note No. 34, sub-clause 9- "Sanctioned Rehabilitation Scheme from BIFR" regarding non recognition of various sanctions, waivers and exemptions from various government agencies and banks in the financial statements for the period ended March 31, 2012 as the stake holders filed an appeal before Appellate Authority for Industrial and Financial Reconstruction against the order of Board for Industrial & Financial Reconstruction.	The BIFR has sanctioned Rehabilitation Package for the company envisaging various sanctions, waivers and exemptions from Central/State Government agencies and Banks. However, appeal by certain stakeholders against the BIFR order, pending confirmation from the respective stakeholders and the statutory formalities which are to be complied with, no recognition has been given for the reliefs, concessions and exemptions in the accounts for the period ended 31.03.2012. Necessary disclosure has been made to this effect vide point 9 under Note No. 34 to the financial statements.

Sl. No.	Statutory Auditors' Observations	Company's Reply
6. c)	Note No 12 “Fixed Assets”, sub-clauses 2, 4.1 and 4.3 where the titles or lease deed of land is not in the name of the company and sub-clause no. 4.4 where a portion of land admeasuring approximately 39 acres is not in possession of the company, the value of such land included in Fixed Assets is not ascertained. Loss, on account of these lands, could not be ascertained.	It is a fact that Fixed Assets include immovable properties, vested under the Scheme of Arrangement approved by the Govt. of India for which mutation of title deed is yet to be done in the revenue record in the case of the Company or fresh Lease Deed in respect of Lease Hold Lands pending and conversion of Revenue land for industrial use at Machine Tools Unit Ajmer, pending finalization of rates by the Govt. of Rajasthan have been disclosed vide point no. 2, 4.1 & 4.3 in the Fixed Asset Notes No. 12 forming part of accounts. The fact of non-possession of 39 acres of land by the Company in respect of Praga Tools Division, Hyderabad have been adequately disclosed in the fixed assets Notes forming part of accounts vide Point No. 4.4. The matter is being pursued with the concerned authority for settlement.
6. d)	No provision is made by for the liability, if any, towards the interest payable under Micro, Small and Medium Enterprise Development Act, 2006 because of non- confirmation of balances of all the vendors as on March 31, 2012. The impact on non provision of such interest on the financial result cannot be quantified due to unavailability of required information	Necessary disclosure to this effect has been made vide point No.13.1 a) (i),(ii), b) & c) under notes forming part of financial statements of the company for the year 2011-12.
6. e)	Note no 34, sub-clause. 11.2 “Amount withheld towards liquidated damages and interest on advances claimed/if claimed on delayed supplies”. As per the information and explanation provided, these are with held by buyers due to delay in supply in accordance with agreement with the parties. This resulted in overstatement of Sundry Debtors and understatement of loss by ₹ 330.52 lakhs.	The non-provisioning of LD's outstanding for less than 3 years and sundry debtors less than 5 years is in line with the uniform accounting practice consistently being followed by the Company, in compliance with internal accounting guidelines of the Company. As such, there is no overstatement of Sundry Debtors and understatement of loss to the extent of ₹ 330.52 lakhs.
6.f) (i)	Pinjore Branch I) Provident fund dues aggregating ₹ 752.39 lakhs, not having remitted to the authorities and the consequent non compliance with the provisions of section 418(4) of Companies Act, 1956 and provision not having been ascertained and made in respect of penalty and damages arising out of non-remittance of Provident Fund dues to the authorities and hence the consequent effect on the books of accounts not being ascertainable. .	The Provident Fund Trust has been formed and governed by Board of Trustees of the Unit/Company under the provisions of Employees Provident Fund and Misc. Act, 1952. As the Unit/Company is facing acute financial crunch due to lower levels of turnover, there is outstanding PF dues. However, the loss suffered by the PF Trust on delayed remittance of PF dues has been made good by the Unit/Company by providing interest on such belated payments.

Sl. No.	Statutory Auditors' Observations	Company's Reply
6. f)(ii)	In the case of ESI, the workers union of the Unit has taken stay from Punjab and Haryana High Court for non-deduction of ESI and consequently ESI is neither deducted nor deposited by the Unit and provision not having been ascertained and made in respect of penalty and damages arising out of non compliance and hence the consequent effect on the books of accounts not being ascertainable	Since there is an interim order from the Hon'ble High Court of Punjab and Haryana for non-deduction of ESI subscription from the Employees, the Orders of the court have been implemented.
6. f)(iii)	The Company has defaulted in settlement / payment of gratuity to the extent of ₹ 465.64 lakhs in the case of employees retired/separated from the Company. Some of the employees have also filed suits for recovery of their dues. Further the Company has not made any provision for penalty for non-payment/settlement of gratuity as per Section -7 of the Payment of Gratuity Act, 1972. The amount of penalty has not been ascertained by the Company, being contingent in nature	As the Unit/Company is facing acute financial crunch due to lower levels of turnover, payment of Gratuity settlements in respect of separated employees has been delayed. However, sufficient provision exists in the books of the Company for settlement of outstanding Gratuity amount of such employees.
6.g)	During the year 2002-03 and 2003-04, vide Memorandum of Understanding between the Company and HMT Limited, the holding company, the land measuring 26.952 acres belonging to the company was sold by HMT Limited and Profit on sale amounting to ₹ 3655 lakhs has not been accounted by the Company resulting in understatement of prior period income by ₹ 3655 lakhs and overstatement of Cumulative loss by ₹ 3655 lakhs.	As per the MOU with the Holding Company, equivalent land value will be transferred to the Company. As such there is no understatement of prior period income and overstatement of cumulative loss by ₹ 3655 lakhs.
6.h)	After considering paragraph 4, paragraph 6 (e) and 6 (g), the aggregate loss for the year has been understated by ₹ 405. 44 lakhs, prior period income has been understated by ₹ 3655 lakhs and Accumulated loss as on March 31, 2012 has been overstated by ₹ 3249.56 lakhs	In view of the explanations provided above, there is no understatement of loss for the year.

For and on behalf of the Board of Directors

Place: Bangalore
Date: 3rd August 2012

(S.G.Sridhar)
Chairman

MANAGEMENT DISCUSSION & ANALYSIS

A **Industry Structure and Development**

The Indian machine tool industry consists of about 750 manufacturing Units out of which approximately 400 Units are under the organised category. Further, ten major Indian companies constitute almost 70 per cent of the total production. While the large organised players cater to India's heavy and medium industries, the small scale sector meets the demand of ancillary and other Units. The Machine Tools industry can be broadly classified into metal-cutting and metal-forming machines, based on the type of operation. Metal cutting accounts for 87 per cent of the total output of machine tools in India. Based on technology used Machine tools are classified as CNC (Computerised Numerically Controlled) and conventional machine tools. CNC machine tools, which are more productive and cost effective, comprise nearly 70 per cent of machine tools. During 2011-12, Country's consumption of machine tools was at ₹13,200 Cr. out of which contribution from domestic production is around ₹ 4,375 Cr. with the gap of ₹ 8,825 Cr. addressed by imports which is around 67% of total consumption. The increasing domestic demand which is not currently met by domestic production indicates the vast business potential available within the Country for Machine Tools. Further, as per IMTMA data there has been a year on year growth of around 31% in consumption of machine tools for the period April 2011 to March 2012 .

B **<u>Strengths</u>**:

- Strong brand image.
- Wide variety – Conventional, CNC, Special purpose & metal forming machines.
- Good infrastructure for manufacturing machine tools.
- Proven experience for component-oriented SPMs built to international standards
- Qualified & experienced engineers and technicians.
- Manufacture of machine tools established through renowned collaborations and in-house R&D.
- Country wide sales and service network.

C **<u>Opportunities:</u>**

- Expansions in auto sector, will fuel demand for Machine Tools.
- Growth in power, nuclear power, Aerospace to fuel demand for Machine Tools.
- Impetus being given by Government for growth in manufacturing sector.
- Global hub for manufacture of components

Threats:

- Increasing interest rates
- Lowering of import duty.
- Influx of second hand / reconditioned imported machines.

D **Segment wise or Product wise Performance**

Segment wise Performance: Segment wise sales for the year 2011-12 of the Company is as under-

Sector	**Val. (₹ Lakhs)**
Auto & Auto Ancillary	2660
Railways	700
Defence	4298
Agricultural Machinery	552
Mining & Metals	893
Industrial Machinery	161
Industrial Intermediates	1048
Power	4095
Consumer Durables	449
Others	6995
Total	**21851**

E Outlook

Demand for machine tools accrues from the manufacturers of primary goods and intermediate goods. The primary user industries include the automotive sector, capital goods sector and consumer durables sector. Prominent users of machine tools in the intermediate goods sector include the auto components, the ball and roller bearings and electronic components. Most segments of the Indian automotive, capital goods, consumer durable and intermediate goods sectors recorded good growth in turnover during 2011-12. This growth in various sectors presents a positive outlook for the company's business during the year 2012-13.

F Risks and Concerns

Your Company has comprehensive risk management system, which, inter alia, provides for risk identification, assessment, reporting and mitigation procedure. The risk management framework supports the Board in its strategic decision making.

G Internal Control System and their Adequacy

The Company has appropriate Internal Control systems for business processes, with regard to efficiency of operations, financial reporting & controls, compliance with applicable laws and regulations, etc. The salient features of internal control system are:

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

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

H Human Resources

Your Company continues to believe that Human Resources would be a critical factor for its growth. The emphasis was on grooming in-house talent enabling them to take higher responsibilities. Training and retraining was provided to the employees during the year. The key focus remained on retaining and talent grow to meet the growth aspirations of the Company.

I Corporate Social Responsibility

HMT Group has set up Hospitals, Schools and Playgrounds at various Manufacturing Units for the benefit of employees and the local community.

CORPORATE GOVERNANCE

In compliance with the Guidelines on Corporate Governance for Central Public Sector Enterprises framed by the Department of Public Enterprises, GoI as applicable to Government Companies and as per the applicable provisions of the Companies act, 1956, the Company is committed to maintain the highest standards of Corporate Governance and initiated appropriate action for compliance of the Guidelines on Corporate Governance.

Board of Directors

As on 31.03.2012, the Board of Directors comprised of Chairman, Managing Director (Designate), Director (Technology), one part - time Official Director and one

Nominee Director of BIFR. Currently the positions of two part-time NON Official i.e. Independent Directors are vacant.

During the year 2011-12, four Board Meetings were held on June 28, September 26, December 22, in the calendar year 2011 and on January 24 in the calendar year 2012. The composition of Directors and their attendance at the Board Meetings and at the General Meetings during the year are:

Name	Category	Attendance particulars		No. of other Directorships and Committee Member / Chairmanship held		
		Board Meetings	General Meeting	Directorship	Committee	
					Membership	Chairmanship
G.K.Pillai Ceased w.e.f. 31.12.11	C&N ENI	3	1	1	-	-
S.G. Sridhar	C&N ENI	4	1	7	1	-
Harbhajan Singh	NENI	3	-	7	-	-
K.H. Suresh Ceased w.e.f. 12.08.11	ENI	1	-	1	-	-
P.Udaya Sankar Additional Charge of Director (Technology) from 12-08-2011 to 20-06-2012	ENI	1	-	2	-	-
Ashok Gupta, BIFR Nomine	NEI	3	NA	1	-	-

C&NENI : Part-time Chairman, ENI : Executive & Non Independent, NENI : Non Executive & Non Independent, NEI : Non Executive & Independent, NA : Not Applicable

Brief Resume of Directors appointed during the period

Shri. S.G. Sridhar

Shri S.G. Sridhar, a Mechanical Engineering Graduate with MBA in Marketing , joined HMT as an Engineer Trainee in 1977 after a brief stint at Kirloskar Electric Ltd. He also has completed specialized Marketing Management Course from IIM, Ahmedabad.

He has rich experience in Manufacturing, Sales & Marketing Management, Business Planning and Development as well as in the development of Corporate Strategies, Business Alliances and formation of Joint Ventures. He has held several functional responsibilities and rose to the level of General Manager heading the Machine Tool manufacturing Units at Bangalore and Pinjore. He held the post of Director, Operations, responsible for overall business operations of the Holding Company including strategic planning, implementation, management, supervision and evaluation of all the subsidiary companies operations as well as functional control over all the activities of Corporate Planning & Implementation, Strategic Alliance and Joint Ventures, Projects and Technology, Marketing policy, Systems and MIS. He has also served in HLL Lifecare Limited as General Manager (Marketing). Presently, he is the Chairman & Managing Director of HMT Limited, the Holding Company.

Shri Sridhar has attended number of Advanced Management Programs in the areas of Marketing and General Management in various institutes of repute. He has widely travelled on business to USA, Europe and South Asia.

Shri. M.D. Sreekumar

Shri M. D. Sreekumar is a Graduate in Mechanical

Engineering from REC, Calicut and Post Graduate in Mechanical Engineering from IIT, Chennai and another Post Graduate degree in Production Engineering from Cochin University of Science & Technology, Cochin.

Shri M D Sreekumar is having more than 32 years of professional experience in different Central Govt. Public Sector Undertakings. Starting his career in HMT, Kalamassery in 1979 as an Engineer Trainee, he served the Company for 24 years in different capacities, up to the level of Jt. General Manager- Production at HMT MTL Pinjore. Joined BEML, Bangalore (a PSU under Ministry of Defence) in 2003 as Chief of Planning. After serving for over 2 years in BEML, joined HLL Life Care Ltd. a PSU under Ministry of Health & Family Welfare, as General Manager, of Akkulam Factory. In due course he was elevated as General Manager (Human Resources) and Executive Director (Operations).

Shri Sreekumar was later selected as Director (Technical & Operations) by the Public Enterprises Selection Board, Govt. of India and served HLL for over 4 yrs. On getting selected for the post of Managing Director of HMT Machine Tools Ltd, a PSU under Ministry of Heavy Industries, Govt. of India, he assumed charge of this company on 26th April, 2012.

Shri Sreekumar is a Chartered Engineer of the Institution of Engineers (India) and Life member of Indian Society for Technical Education (India). He is at present the Academic Course Advisor of Toch College of Engg, Ernakulam. He had visited several countries and also presented a paper at the 5th International Conference on CAD/CAM, Robotics & Factories of the future, in USA.

Shri B.M. Shivashankar

Shri B.M. Shivashankar has been appointed as Director (Technology) of the Company He was a Joint General Manager in Design & Development Department and Sales Department prior to this appointment.

Shri B.M. Shivashankar is a Graduate Engineer from BMS College of Engg., and holds a Master's degree in System Software from BITS Pilani and MBA in Marketing from Bangalore University. He has submitted a research paper (theoretical) on structural analysis of Machine Tools as a part of research curriculum for BITS Pilani.

Shri B.M. Shivashankar starting his career as Engineer Trainee in HMT Machine Tools Limited, Bangalore Complex has more than 27 years of rich professional experience in wide range of areas such as Sales, Design and Development, CAD Assembly etc.

He is an active member of IETE and IEEE and visited several countries.

Committees of the Board

The Audit Committee of the Company has to be reconstituted and the Remuneration Committee of the Company to be constituted after the induction of the Independent Directors on the Board of the Company by the Government.

Remuneration of Directors

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

Name of Director	Salary ₹	Other Benefits Salary ₹	Total ₹
K.H. Suresh	161216	268559	429775

Sitting fees of ₹ 1,500/- per meeting is paid to the Independent / BIFR Nominee Directors for attending meetings of the Board and Committees. Conveyance for attending Board Meetings is reimbursed by the Company as per actuals. ₹ 500/- is reimbursed to the Director using personal conveyance for attending the meeting.

General Body Meetings

The last three Annual General Meetings of the Company were held as under:

Financial Year	Date	Time	Venue
2008-09	25.09.2009	11.30 A.M.	Registered Office at No. 59, Bellary Road, Bangalore-560 032
2009-10	07.09.2010	11.00 A.M.	As above
2010-11	26.09.2011	11.00 A.M.	As above

Annual General Meeting for the current year is scheduled to be held in the month of September 2012 at the Registered Office of the Company.

Disclosures

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

The Company has not filed the statutory returns for the year 2009-10 & 2010-11 with the Ministry of Corporate Affairs/ ROC, Bangalore due to non updation of the increased Authorized Share Capital in the records of MCA pending 100 % exemption from the payment of Stamp Duty on increased Authorized Share capital from the Government of Karnataka in terms of the BIFR sanctioned Rehabilitation Scheme of the Company. Government of Karnataka had exempted 50% Stamp Duty against 100% and the Company has re-approached them for 100% exemption. Company has requested the Ministry of Corporate Affairs to facilitate updation of increased Authorized Share Capital in their portal without payment of filing fees (as waived) and with payment of partial Stamp Duty (as exempted by State Government). The Company has also informed ROC Bangalore about non filing of Statutory Returns due to technical problems being faced by the Company.

There are outstanding Statutory Dues payable by some of the Units of the Company. The Units of the Company have approached / are approaching the Provident Fund Authorities for settlement of the dues in monthly installments.

There were no other instances of non-compliance by the Company, penalties, strictures imposed on the Company by any statutory authority or any matter related to any guidelines issued by Government, during the last three years.

The Company has not established a Whistle Blower Policy for the employees. However, none of the employee has been denied the access up to Audit Committee/ senior level management.

Means of Communication

Being a wholly owned subsidiary, Company submits financial results periodically to M/s HMT Limited, the Holding Company. Annual results are also updated on the Company's website www.hmtmachinetools.com.

* * * * *

ANNEXURES TO THE DIRECTORS' REPORT

Section 217(1) (e) of the Companies Act, 1956

Company's (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988

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

a) Energy Conservation measures taken:

The Company is continuously engaged in the process of energy conservation through improved operational and maintenance practices. The energy utilization in our manufacturing Units is being monitored constantly in order to achieve effective conservation of energy. The energy conservation measures taken during the year 2011-12 include:

- Use of Energy Efficient Lighting systems like mercury vapour lamps, high power sodium vapour lamps and fluorescent tube lamps
- Centralised Control of coolers and shop lighting
- Use of transparent roof sheets wherever possible and cleaning of glass in sheds periodically to make an effective use of natural lighting.
- Use of power capacitors to improve the power factor
- Creating awareness among employees about the necessity of energy conservation by observing energy conservation week.
- Power savings by using AC Motor with Low power in place of DC Motors in High Power Machine, while refurbishing.
- Utilization of Foundry Furnace during night and holidays to save power tariff.
- Water is heated for cooking purpose through solar water heating panel

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

- Providing energy saving lighting equipments in place of florescent lights and bulbs
- Usage of sodium vapour lamps for yard lighting
- Installation of timer switches for yard light control
- Providing of graphite layer on salt bath furnace to reduce heat dissipation.
- Replacement of existing electric geysers with solar.
- Replacement of motor generator sets with new AC drives in conventional machines.
- Replacement of old system and drives with new energy efficient systems in CNC machines.

c) Impact on cost of production of goods:

- The above mentioned measures have resulted/will result in reduction in energy consumption, increase in productivity and reduction in energy cost.

d) Total energy consumption and energy consumption per unit of production

- Not applicable, as the Company is not covered in the list of specified industries.

B. TECHNOLOGY ABSORPTION

FORM B

Research and Development (R & D)

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

The Company has its own R&D facilities at its all manufacturing units to meet its needs. The focus of R&D is to progressively achieve self-reliance in product technology, upgrading the existing products with additional features. This approach has resulted in development of the following products during 2011-12:

- Designed Horizontal Machining Centre HMC 500 SLD (Single Lift)
- Heavy Duty Cylindrical Grinding Machine Model HCG840X3000
- Heavy Duty CNC Angular Grinding Machine Model AWH540
- Cylindrical Grinding Machine SMART 150 CNC
- Robotic Interfacing for auto loading & unloading of CON ROD on Double Disc Grinding Machine

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

The development of the new products enabled the Company to meet the market demand for technologically competitive products and automation requirements of the user sectors for improved productivity.

3. Future Plans of action:

R&D is a continuous process and is closely linked with the market requirement.

4. Expenditure on R & D Particulars

		(₹ in Lakhs)
a)	Capital	-
b)	Recurring	208.66
	Total	208.66
	Total R & D Expenditure As % of Turnover	0.95%

5. Technology absorption, adaptation and innovation:

The Company continuously strives to design, develop and manufacture new products of technologies in vogue and Special Purpose Machines which are state-of-the-art and customer centric. The Technology Development Plans facilitate reducing the cost of production by value engineering (redesigning / up gradation of products) and thereby helps reduction in import substitution.

Enterprise Resource Planning (ERP) package is in the progressive stage of commissioning at Machine Tools – Bangalore Unit. The Commissioning of ERP in the Company is scheduled to be completed in this financial year.

C. FOREIGN EXCHANGE EARNING AND OUTGO

The Company is exporting machine tools and exports of the Company's products are managed by HMT (International) Limited, the wholly-owned subsidiary of HMT Limited, the Holding Company.

Total Foreign Exchange used and earned:

	PARTICULARS	(₹ in Lakhs)
1.	Foreign Exchange earned	-
2.	Outgo of Foreign Exchange	-
3.	Expenditure in Foreign Currencies on account of Royalty, Know-how/Professional Consultation Fees, Interest and other matters.	2.58

* * * *

CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of HMT Machine Tools Limited,

We have examined the compliance of conditions of Corporate Governance by HMT Machine Tools Limited ("the Company"), for the year ended on 31st March 2012, as stipulated in Guidelines on Corporate Governance for Central Public Sector Enterprises.

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

The full complements of Independent Directors as required under Corporate Governance Guidelines have not been fulfilled.

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

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

For Vishnu Rajendran & Co
Chartered Accountants
FRN: 004741S
Sd/-
CA Tom Joseph FCA
Partner

Date: July 27th, 2012
Place : Bangalore

DECLARATION BY THE MANAGING DIRECTOR

Sub: **Code of Conduct - Declaration under Clause 3.4.2**
This is to certify that:

In pursuance of the provisions of Clause 3.4.2 of Corporate Governance Guidelines of DPE, a Code of Conduct for the Board Members and Senior Management Personnel is in place.

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

All Board Members, and the Senior Management Personnel have affirmed compliance of the said Code of Conduct, for the year ended March 31, 2012.

(M.D. Sreekumar)
Managing Director

Place: Bangalore
Date: 16 th June, 2012

AUDITORS' REPORT

To

The members
HMT MACHINE TOOLS LIMITED

We have audited the attached Balance Sheet of HMT Machine Tools Limited as at March 31, 2012, the Statement of Profit and Loss and the Cash Flow statement of the Company 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.

We have relied on the Branch Auditor's Report of Bangalore Complex (MBX) Branch, Ajmeer Branch, Kalamassery Branch, Praga Tools Hyderabad Branch, Pinjore Branch and Hyderabad Branch, which were audited by Branch auditors appointed under section 619(2) of the companies Act, 1956 and Audit report of Marketing Company audited by us for the year ended March 31, 2012, for preparation of this report.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
2. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
3. The Balance Sheet, the Statement of Profit and Loss and the Cash Flow statement dealt with by this report are in agreement with the books of account;
4. In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act, ***except non-compliance with respect to :***

   Accounting Standard-9 (Revenue Recognition), where the company is, in Case of FOR Destination Contracts, recognizing its revenue on sales when "LR/GR obtained and endorsed in favour of customer" though the significant risk and rewards are not transferred to buyer. Consequently, the Sales which are in Transit as on March 31, 2012, and whose ownership is still lying with the company are recognized as sales for the financial year 2011-12. This resulted in overstatement of sales by ₹ 696.13 Lakhs and understatement of loss by ₹ 74.92 Lakhs.
5. The provisions of Section 274 (1) (g) of the Companies Act, 1956 are not applicable to Government companies vide Notification GSR No. 829 (E) issued by Department of companies affairs in exercise of powers conferred by Section 620(1)(a) of the Companies Act.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Notes

and Accounting policies thereon, give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, subject to:

a) ***Non-confirmation of Debtors, Creditors and Advances, where the consequential effect on the financial statement is not ascertainable.***

b) ***Note No. 34, sub-clause 9- "Sanctioned Rehabilitation Scheme from BIFR" regarding non recognition of various sanctions, waivers and exemptions from various government agencies and banks in the financial statements for the year ended March 31, 2012, as the stake holders filed an appeal before Appellate Authority for Industrial and Financial Reconstruction against the order of Board for Industrial & Financial Reconstruction.***

c) ***Note No 12 "Fixed Assets", sub-clauses 2, 4.1 and 4.3 where the titles or lease deed of land is not in the name of the company and sub-clause no. 4.4 where a portion of land admeasuring approximately 39 acres is not in possession of the company, the value of such land included in Fixed Assets is not ascertained. Loss, on account of these lands, could not be ascertained.***

d) ***No provision is made by for the liability, if any, towards the interest payable under Micro, Small and Medium Enterprise Development Act, 2006 because of non-confirmation of balances of all the vendors as on March 31, 2012, The impact on non provision of such interest on the financial result cannot be quantified due to unavailability of required information***

e) ***Note no 34, sub-clause. 11.2 "Amount withheld towards liquidated damages and interest on advances claimed/if claimed on delayed supplies". As per the information and explanation provided, these were with held by buyers due to delay in supply in accordance with agreement with the parties. This resulted in overstatement of Sundry Debtors and understatement of loss by ₹ 330.52 Lakhs.***

f) ***Pinjore Branch***

   I) ***Provident fund dues aggregating ₹ 752.39 lakhs not remitted to the authorities and the consequent non compliance with the provisions of section 418(4) of Companies Act, 1956. Provision not been ascertained and made in respect of penalty and damages arising out of non-remittance of Provident Fund dues to the authorities and hence the consequent effect on the books of accounts not ascertainable.***

   ii) ***In the case of ESI, the workers union of the Unit has taken stay from Punjab and Haryana High Court for non- deduction of ESI and consequently ESI is neither deducted nor deposited by the Unit and provision not been ascertained and made in respect of penalty and damages arising out of non compliance and hence the consequent effect on the books of accounts not ascertainable***

   iii) ***The Company has defaulted in settlement / payment of gratuity to the extent of ₹ 465.64 lakhs in the case of employees retired/separated from the Company. Some of the employees have also filed suits for recovery of their dues. Further the Company has not made any provision for penalty for non-payment/settlement of gratuity as per Section -7 of the Payment of Gratuity Act, 1972. The amount of penalty has not been ascertained by the Company, being contingent in nature.***

g) ***During the year 2002-03 and 2003-04, vide Memorandum of Understanding between the Company and HMT Limited, the holding company, the land measuring 26.952 acres belonging to the company was sold by HMT Limited and Profit on sale amounting to ₹3655 lakhs has not been accounted by the Company resulting in understatement of prior period income by ₹.3655 lakhs and***

overstatement of Cumulative loss by ₹ 3655 lakhs.

h) ***After considering paragraph 4, paragraph 6 (e) and 6 (g) the aggregate loss for the year has been understated by ₹ 405. 44 lakhs, prior period income has been understated by ₹ 3655 lakhs and Accumulated loss as on March 31, 2012, has been overstated by ₹ 3249.56 lakhs***

I. in the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March 2012,

ii. in the case of the Statement of Profit and Loss, of the Loss of the Company for the year ended on that date; and

iii. in the case of the Cash Flow statement, of the Cash Flows of the Company for the year ended on that date.

For Vishnu Rajendran & Co
Chartered Accountants
Firm Reg No. 004741S

CA. Tom Joseph FCA
Partner
(Membership No: 201502)

Place : Bangalore.
Date : July 4, 2012

ANNEXURE TO AUDITOR'S REPORT

The Annexure referred to in our report to the members of **HMT Machine Tools Limited,** Bangalore for the year ended March 31, 2012,

We report that:

(I) In respect of its fixed assets:

a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

b. As informed to us, the fixed assets have been physically verified by the management once in three years, and the programme of verification adopted by the management, in our opinion is reasonable, having regard to the size of the Company and nature of its assets. During the year physical verification has been conducted for kalamassery branch, Bangalore complex branch, Praga tools Hyderabad branch. For Ajmeer branch, Bangalore marketing division branch Pinjore branch and Hyderabad branch physical verification carried out during the year 2010-11. No material discrepancies were noticed on such physical verification.

c. Based on audit procedures and information & explanations given to us the Company has not disposed of any major item of its fixed assets during the year so as to affect its going concern status.

(ii) a. In our opinion and according to the information and explanations given to us, the inventory has been physically verified during the year by the management. In our opinion the frequency of verification is reasonable.

b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.

c. In our opinion and according to the information and explanations given to us, the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material.

(iii) According to the information given to us, the Company has neither taken nor granted any loan, secured or unsecured, from/to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act 1956. Hence, clauses (a) to (g) of the said Order are not applicable.

(iv) In our opinion, and according to the information given to us, there are adequate internal control system commensurate with the size of the Company and nature of its business of the Company with regards to the purchase of fixed assets, inventory and for the sale of goods and services. We have not observed any continuing failure to correct major weaknesses in internal controls during the course of our audit.

(v) In our opinion and according to the information and explanations given to us, there are no transactions of purchase of goods and materials and sale of goods, materials and services in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956.

(vi) In our opinion and according to the information and explanations given to us, the Company has compiled with the provisions of section 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to unsecured loans, falling within the definition of deposits accepted from the public, ***except in the case of Nanital Bank a Bond Holder, who has gone on litigation and as per the information provided to us the case is pending.***

(vii) In our opinion and as per the information given, the Company has an internal audit system commensurate with its size and nature of its business.

(viii) According to the information and explanations given to us and considering the Branch Auditors Reports, we are of the opinion that, the Company has maintained books of accounts in respect of materials, labour and other items of cost pursuant to the rules made by the Central Government of India for the maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956. However, we have not made a detailed examination of the records with a view to determine whether they are accurate or complete.

(ix)(a) According to the information and explanations given to us, and on the basis of our examination of the books of accounts, the Company has been regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, income tax, sales tax, customs duty, excise duty, cess and any other material statutory dues applicable to it, ***however with respect to Hyderabad branch, Bangalore marketing division and Bangalore complex branch Provident fund has not been regularly deposited with the appropriate authorities within due date.***

(b) According to the information and explanations given to us no undisputed amounts payable in respect of income tax, wealth tax, sales tax, service tax, customs duty, excise duty and cess were in arrears as at March 31, 2012, for a period of more than six months from the date they became payable **except the following:**

Nature of dues	*Amount (in lakhs)*
Provident fund	1670.26
Value Added Tax & CST	15.27
Pension Contribution	17.00
Service tax	0.60
Gratuity	349.48
Total	2052.61

(c) According to the information and explanation given to us, there are dues of Value Added Tax, income tax, customs duty, wealth tax, excise duty and cess, which have not been deposited on account of any dispute and the same are as follows:

Particulars	Nature of Dues	Amount (in lakhs)	Forum where dispute is pending
Central excise Act, 1944, Cenvat Rules	Cenvat credit	221.17	CESTAT
Central excise Act, 1944,	Modvat credit	0.13	Asst Comm. of Central Excise, (Appeals) Hyderabad
Central excise Act, 1944,	Modvat credit	1.48	CESTAT
Central excise Act, 1944,	Modvat credit	160.03	Availment of Excise duty exemption under 10/97
Quathbullapur municipality	Property Tax	412.01	Commissioner, GHMC, Hyderbad
Raj Land Conv Act	Land Conv charges	2.39	Collector Ajmeer
Land & Building Act, Raj	Land & Building Tax including interest	40.51	Collector & Dist Magistrate, Ajmeer
LBT Act	Land tax (06-07) (07-08) (08-09)	 3.39 6.79 6.79	DIG Stamps, Ajmeer.
RVAT Act	CST, VAT and Interest	46.54	Tax Board, Ajmeer.
LBT Act	Land & Building Tax	13.25	
	Electricity Charges	278.97	Kalamassery
The Employees state insurance Act, 1948	ESI dues Employees	1.16	ESIC Court, Hyderabad
The Employees state insurance Act, 1948	ESI dues Employees	1.42	ESIC Court, Hyderabad

(x) ***The accumulated losses of the Company have exceeded its net worth. Conseque-ntly the Company has filed application with BIFR during November 2005 as per the provision of Sick Industrial Companies (Special Provisions) Act, 1985 and the sanction is received on June 13, 2008. Also during the year 2007-08, Government of India has sanctioned a revival plan envisaging infusion of funds by way of Preferential and Equity Capital, conversion of long term loan into Equity Capital and waiver of interest to address the negative net worth of the Company. Though the appeals before AAFIR and BIFR sanctions pending disposal, considering the revival plan of the company and BIFR sanctioned rehabilitation scheme, the accounting continues to be prepared on Going Concern basis. The Company has incurred cash loss of Rs 3636.19 Lakhs during the year and Rs.8320.91 Lakhs for the previous year.***

(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions or bank or debenture holders as on the Balance Sheet date.

(xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the Order is not applicable.

(xiii) The provisions of clause 4(xiii) of the Order applicable to chit fund, nidhi, mutual benefit fund or a society are not applicable to the Company.

(xiv) According to the information and explanation given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, clause 4(xiv) of the Order is not applicable.

(xv) According to the information and explanations given to us, the Company has not given any guarantees for loan taken by others from banks or financial institutions. According, clause 4(xv) of the Order is not applicable.

(xvi) According to the information and explanations given to us, we are of the opinion that, the Company has not availed any term loan during the year.

(xvii) According to the information and explanations given to us, the Company has not raised any funds on short-term basis that have been used for long term investments.

(xviii) The Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clause 4 (xviii) of the Order is not applicable.

(xix) The Company has neither issued nor had any outstanding debentures during the year of our audit. Accordingly, clause 4 (xix) of the Order is not applicable.

(xx) The Company has not raised any money by public issue during the year. Accordingly, clause 4 (xx) of the Order is not applicable.

(xxi) In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year that causes the financial statements to be materially misstated.

For Vishnu Rajendran & Co
Chartered Accountants
Firm Reg No. 004741S

CA. Tom Joseph FCA
Partner
(Membership No: 201502)

Place : Bangalore.
Date : July 4, 2012

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

The Preparation of financial statements of HMT Machine Tools Limited, Bangalore for the year ended on 31 March 2012 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the Auditing and Assurance Standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 4 July 2012.

I, on behalf of the Comptroller and Auditor General of India, have decided not to review the report of Statutory Auditor on the accounts of HMT Machine Tools Limited, Bangalore for the year ended on 31 March 2012 and as such have no comments to make under Section 619(4) of the Companies Act, 1956.

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

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

Place : Hyderabad
Date : 3 August 2012

SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of Financial Statements

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

Fixed Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

Depreciation

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

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

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

Investments

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

Inventories

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

Revenue recognition

Sales are set up based on:

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

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

Despatches to dealers/customers in respect of Machines & Tractors.

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

Foreign currency transactions

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

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

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

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

Borrowing costs

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

Employee Benefits

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

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

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

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

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

Warranty

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

Special Tools

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

Income Tax

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

Earnings per share

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

Government Grants

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

Intangible Assets

Intangible assets are capitalized at cost if

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

Technical Know-how

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

Software

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

Research and Development Expenditure

Research Phase:

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

Development Phase:

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

Impairment of Assets

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

Others

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

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

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

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

* * * * *

BALANCE SHEET AS AT 31 ST MARCH 2012

(₹ In lakhs)

	Note No.	As at 31-03-2012	As at 31-03-2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share Capital	1	**71959.91**	71959.91
Reserves & Surplus - Capital Reserve	2.1	**2270.82**	2270.82
Reserves & Surplus- (P&L)	2.2	**(90032.06)**	(85417.93)
SHARE APPLICATION MONEY PENDING ALLOTMENT	3	**-**	-
Non-Current Liabilities			
Long-terms Borrowings	4	**-**	-
Deferred Tax Liabilities(Net)	5	**-**	-
Other Long-Term Liabilities	6	**-**	-
Long-term Provisions	7	**8197.07**	8251.76
Current Liabilities			
Short-term Borrowings	8	**5323.04**	6102.27
Trade Payables	9	**4005.90**	4174.30
Other Current Liabilities	10	**24180.26**	17858.78
Short-term Provisions	11	**5553.05**	5858.37
Total		**31457.99**	31058.28
ASSETS			
Non-Current Assets			
Fixed Assets	12		
-Tangible Assets		**8439.58**	9043.09
- Intangible Assets		**-**	-
- Capital Work -in- Progress		**48.90**	69.89
- Machinery & Equipments in transit and under inspection / erection		**-**	269.26
Non-current Investments	13	**-**	-
Deferred Tax Assets (Net)	14	**-**	-
Long term Loans and Advances	15	**322.91**	228.98
Other Non-Current Assets	16	**-**	-
Miscellaneous Expenses not written -off		**-**	3.67
Current Assets			
Inventories	17	**8521.63**	7816.30
Trade Receivables	18	**5688.55**	5045.79
Cash and Cash Equivalents	19	**3935.46**	3905.67
Short-term Loans and Advances	20	**4180.40**	4405.22
Other Current Assets	21	**320.56**	270.41
Total		**31457.99**	31058.28

Please see accompanying notes to the financial statements.
Additional Disclosure to Balance Sheet 34
Accounting Policies form part of the financial statements

For and on behalf of the Board

As per our Report of Even date
For Vishnu Rajendran & Co
Chartered Accountants
FRN: 004741S

S.G. Sridhar	**M.D. Sreekumar**	**K. Ramadoss**	**Vikas Goel**	**Tom Joseph**
Chairman	*Managing Director*	*General Manager (F)*	*Company Secretary*	*Partner*
				M. No. 201502

Place : Bangalore
Date : 26th June 2012

Place : Bangalore
Date : 04th July 2012

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

(₹ In lakhs)

	Note No.	Year Ended 31-03-2012	Year Ended 31-03-2011
Gross Revenue from Operations	22	**24046.13**	21068.17
Less : Excise Duty		**(2195.55)**	(1812.33)
Net Revenue from Operations		**21850.58**	19255.84
Transfer to Plant		**-**	-
Other Income	24	**2071.05**	1372.18
Total Revenue		**23921.63**	20628.02
Expenses :			
Cost of Materials Consumed	25	**9982.46**	7108.01
Changes in Inventories of Finished Goods, WIP & SIT	26	**(556.06)**	1606.00
Employee Benefits Expense	27	**13864.29**	15248.41
Depreciation and Amortization	28	**977.94**	985.42
Other Expenses	29	**3053.48**	3525.59
Finance Cost	30	**1598.95**	1260.74
Less: Job done for internal use	23	**(219.98)**	(219.02)
Total Expenses		**28701.08**	29515.15
Profit/(Loss) Before Tax, adjustment for PPA, Excep & EOI		**(4779.45)**	(8887.13)
Less: Prior Period Adjustments (PPA)	31	**93.24**	419.20
Exceptional Items	32	**-**	-
Profit/(Loss) before Extraordinary items and Tax		**(4872.69)**	(9306.33)
Extraordinary Items	33	**258.56**	-
Profit / (Loss) Before Tax		**(4614.13)**	(9306.33)
Current Tax		**-**	-
Deferred Tax		**-**	-
Profit / (Loss) For The Period		**(4614.13)**	(9306.33)
Earnings Per Equity Share:			
(1) Basic Earnings Per Share of ₹10 each		**(1.66816)**	(3.36455)
(2) Diluted Earnings Per Share of ₹ 10 each		**(1.66816)**	(3.36455)
(3) No. of Equity Shares (Weighted Average Basis)		**276599137**	276599137

Please see accompanying notes to the financial statements
Additional Disclosure to Statement of Profit and Loss — 34
Accounting Policies form part of the financial statements

For and on behalf of the Board

As per our Report of Even date
For Vishnu Rajendran & Co
Chartered Accountants
FRN: 004741S

S.G. Sridhar	**M.D. Sreekumar**	**K. Ramadoss**	**Vikas Goel**	**Tom Joseph**
Chairman	*Managing Director*	*General Manager (F)*	*Company Secretary*	*Partner*
				M. No. 201502

Place : Bangalore
Date : 26th June 2012

Place : Bangalore
Date : 04th July 2012

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

(₹ In lakhs)

	As at 31-03-2012	As at 31-03-2011
1. SHARE CAPITAL		
Particulars of Authorised, Issued, Subscribed & Paid up Share Capital		
AUTHORISED		
35,50,00,000 Nos (previous year 35,50,00,000 Nos)Equity Shares of ₹ 10 each	**35500.00**	35500.00
4,45,00,000 Nos (previous year 4,45,00,000 Nos) Preference Shares of ₹100 each	**44500.00**	44500.00
(Refer disclosure 7 of Additional disclosure to Balance Sheet)		
	80000.00	80000.00
ISSUED, SUBSCRIBED & PAID UP		
27,65,99,137 Nos (previous year 27,65,99,137 Nos)Equity Shares of ₹10 each (of the above 2, 34,49,637 shares are allotted as fully paid up for consideration other than cash)	**27659.91**	27659.91
(Refer disclosure 8.1 of Additional disclosure to Balance Sheet)		
4,43,00,000 Nos (previous year 4,43,00,000 Nos) 3.5 % Redeemable Preference Shares of ₹ 100 each	**44300.00**	44300.00
(Refer disclosure 8.2 of Additional disclosure to Balance Sheet)	**71959.91**	71959.91
(Entire Share Capital is held by HMT LTD, the Holding Company and its nominees)		
2. RESERVES & SURPLUS		
2.1 Capital Reserve		
Towards difference in the face value of Equity Shares held by Governor of Andhra Pradesh and Government of India in Praga Tools Ltd., which is merged with the Company and the consideration of ₹ 1 to be paid to each of them as per the Scheme of merger sanctioned by BIFR	**2270.82**	2270.82
2.2 Reserves & Surplus -Surplus		
Opening Balance	**(85417.93)**	(76111.60)
Net loss for the year	**(4614.13)**	(9306.33)
Closing Balance	**(90032.06)**	(85417.93)
3. Share application Money pending allotment	**-**	-

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

(₹ In lakhs)

	As at 31-03-2012	As at 31-03-2011
4. LONG TERM BORROWINGS	**-**	-
5. DEFERRED TAX LIABILITIES (NET)	**-**	-
6. OTHER LONG-TERM LIABILITIES	**-**	-
7. LONG TERM PROVISIONS		
Employee Benefits		
Gratuity	**6820.73**	6569.29
Earned Leave Encashment	**1063.74**	1315.10
Settlement Allowance	**312.60**	367.37
	8197.07	8251.76
8. SHORT TERM BORROWINGS		
SECURED		
From Banks		
Cash Credit to the limit of ₹ 5532 lakhs (Prev. year ₹ 5532 lakhs) from the consortium of Banks secured by hypothecation of inventories, receivables and other chargeable current assets	**3544.57**	4648.82
Short-term Loan from Banks (Secured against Fixed Deposits & Trade Receivables)	**764.25**	507.15
Loan from HMT LTD., the Holding Company		
HMT Limited	**1014.22**	946.30
	5323.04	6102.27
9. TRADE PAYABLES		
Acceptances	**596.74**	210.22
Dues towards Goods Purchased & Services Received	**3238.72**	3787.10
Dues to Micro, Small & Medium Enterprises for Goods & Services	**170.44**	176.98
	4005.90	4174.30
10. OTHER CURRENT LIABILITIES		
5 years Bonds(1999)		
Non-convertible Bonds carrying rate of interest at 16.50% redeemable at par, the earlier date of redemption being 22.06.1999. Amount of continuing default ₹ 50.00 lakhs (Previous year ₹ 50.00 lakhs)	**50.00**	50.00
Interest Accrued and Due	**22.17**	22.17

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

(₹ In lakhs)

	As at 31-03-2012	As at 31-03-2011
Loans from Government of India		
Term Loan for a period of 5 year carrying rate of interest @15.50% Repayment in 5 equal annual instalments from the date of drawal (date of drawal of loan 02.04.2006) Amount of continuing default ₹ 316.00 lakhs (Previous year ₹ 237.00 lakhs)	**395.00**	395.00
Interest Accrued and Due	**417.24**	316.04
Term Loan for a period of 5year carrying rate of interest @15.50% Repayment in 5 equal annual instalments from the date of drawal (date of drawal of loan 29.03.2007) Amount of continuing default ₹ 625.60 lakhs (Previous year ₹ 469.20 lakhs)	**782.00**	782.00
Interest Accrued and Due	**829.60**	625.67
Term Loan for a period of 5 years carrying rate of interest @3.50% Repayment after 1 year from date of drawal of loan (date of drawal of loan 27.12.2007) Amount of continuing default ₹ 4001.19 lakhs (Previous year ₹ 4001.19 lakhs)	**4001.19**	4001.19
Interest Accrued and Due	**517.59**	381.13
Advance received against sales	**5505.75**	2648.55
Interest accrued but not due on borrowings	**140.70**	136.25
Other liabilities *	**11003.94**	8153.25
	23665.18	17511.25

* Includes ₹ 10.50 (previous year ₹10.50) lakhs payable to minority share holders of the erstwhile Praga Tools Ltd., as per the Scheme of merger sanctioned by B I F R and most of the other liabilities are related to employees.

Dues to Holding Co. and its Subsidiaries		
HMT (International) Limited	**233.64**	78.83
HMT Chinar Watches Limited	**1.77**	1.77
HMT Limited, Holding Co.	**279.67**	266.93
	515.08	347.53
	24180.26	17858.78

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

(₹ In lakhs)

		As at 31-03-2012	As at 31-03-2011
11	**SHORT TERM PROVISIONS**		
	Gratuity	**1215.95**	1171.13
	Earned Leave Encashment	**315.96**	390.61
	Settlement Allowance	**87.95**	103.37
	Adhoc towards Wage / Salary Revision	**3786.87**	4063.94
		5406.73	5729.05
	Provision Others		
	Fringe Benefit Tax (FBT)	**56.51**	56.51
	Warranty Claims	**89.81**	72.81
	Others	**-**	-
		146.32	129.32
		5553.05	5858.37

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

12. FIXED ASSETS

(₹ In lakhs)

Particulars	COST				Depreciation				Net Carrying Value	
	Balance as at 01-04-2011	Additions	Deduct. / Adjust	Balance as at 31-03-2012	Balance as at 01-04-2011	Deduct. / Adjust	Depreciation during the year	Balance as at 31-03-2012	Balance as at 31-03-2012	Balance as at 01-04-2011
Trangible Assets										
Land & Land Development	108.72			108.72					108.72	108.72
Buildings	2358.02	27.30		2385.32	1943.50		24.73	1968.23	417.09	414.52
Plant and Machinery	29330.03	337.42	114.42	29553.03	21005.03	(93.78)	930.04	21841.29	7711.74	8325.00
Furniture, Fittings & Office Appliances	1041.33	30.58	18.73	1053.18	853.12	(18.68)	22.32	856.76	196.42	188.21
Transport Vehicles	62.09		5.26	56.83	55.45	(5.07)	0.84	51.22	5.61	6.64
Intangible Assets	-	-	-	-	-	-	-	-	-	-
TOTAL	**32900.19**	**395.30**	**138.41**	**33157.08**	**23857.10**	**(117.53)**	**977.93**	**24717.50**	**8439.58**	**9043.09**
Previous Year	**31329.25**	**1728.84**	**157.90**	**32900.19**	**22977.02**	**(105.34)**	**985.42**	**23857.10**	**9043.09**	**8352.23**

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

1. Fixed Assets have been transferred from the Holding Company to the Subsidiary at Gross value of ₹ 202.10 Cr. Reserve for depreciation of ₹ 151.46 Cr. and net value of ₹ 50.64 Cr., as on 01.04.2000 in line with para 10 (j) and Annexure 12 of the Scheme of Arrangement approved by the Department of Company Affairs.

2. Fixed Assets include immovable properties, vested under the Scheme of Arrangement approved by the Govt. of India. However, the mutation of title deeds is yet to be done in the revenue records to that effect. Fresh Lease Deed in respect of Lease Hold Lands are pending to be executed.

3. In respect of Praga Tools Division, Hyderabad Plant & Machinery includes 12 items of Fixed Assets identified as obsolete and for disposal, the net block of which is ₹ 18,09,749/-. Further though Forge & Foundry Division was closed , depreciation of ₹ 3,07,620/- is provided during the year.

4. **LAND**

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

4.2 The Company has leased out land admeasuring 2.71 acres to the Kerala Electricity Board and Postal Authorities in Kalamassery.

4.3 The Company is in possession of Gift land located at Bangalore, Kalamassery & Hyderabad gifted by the respective State Governments measuring 177.75 Acres, 348.85 Acres and 227.30 acres respectively, nominally valued at ₹ 1 each. Necessary applications are yet to be filed before the respective State Government for transfer of Title in respect of the above gifted lands from Holding Company in favour of the Subsidiary Company.

4.4 Praga Tools Division is in possession of 195 acres and 33 guntas land handed over by the Govt. of Andhra Pradesh. The company has filed Writ Petition No. 20012 of 2003 on the file of Hon'ble High Court of A.P. against the Govt. of A.P. and others wherein the Company has sought directions for demarking 195.33 acres of land for handing over the same to the company During recently conducted survey of the Company, it has come to the notice that approx. 39 acres of land is not in the actual possession of the Company, but the company has paid for the entire 195.33 acres of land for the decree holder. Out of the above land, 6000 sq. mts. of land is allotted to APSEB for setting up 33KV Switching Station and 33/11 KV Electrical sub-station. The compensation payable by the APSEB has not yet been determined. GHMC issued a notice vide notice No. 41/86/RW/TPS/GHMC/SC/2007 dated 01.12.2007 to take over 238.86sq. Yds of land for road widening programme undertaken by them out of the 3000 sq. yds available at kavadiguda, Secunderabad without any compensation. The Company had protested for this and raised a demand for compensation for land proposed to be taken over by them for road widening programme at prevailing market rate which is pending.

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

(₹ In lakhs)

	As at 31-03-2012	As at 31-03-2011
13 NON-CURRENT INVESTMENTS	-	-
14 DEFERRED TAX ASSETS (Net)	-	-
15 LONG TERM LOANS AND ADVANCES		
SECURED CONSIDERED GOOD		
Advance to Employees-House Building/Vehicle Advance	1.92	3.05
UNSECURED CONSIDERED GOOD		
- For Capital Expenditure	320.99	225.93
UNSECURED CONSIDERED DOUBTFUL		
- For Capital Expenditure	2.84	1.68
	323.83	227.61
Less: Provision for Doubtful Loans and Advances	2.84	1.68
	320.99	225.93
	322.91	228.98
16. OTHER NON-CURRENT ASSETS	-	-
17. INVENTORIES*		
Raw Materials and Components	1744.74	1792.48
Material and components in transit	258.38	200.43
Work-in-Progress	4806.16	4365.68
Finished Goods	1779.70	1604.35
Stores and Spares Parts	1053.97	1005.10
Tools and Instruments	188.58	244.44
Scrap	60.99	120.76
	9892.52	9333.24
Less: Provision for slow/Non-moving inventory and materials	1370.89	1516.94
	8521.63	7816.30
* Includes stock with C&F Agents/contractors Ancillary Units/ in Bonds/at site	-	11.16

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

(₹ In lakhs)

	As at 31-03-2012	As at 31-03-2011
18 TRADE RECEIVABLES *		
Trade receivables outstanding for a period less than six months from the date they are due for payment		
- Considered Good	**4009.88**	2845.99
Trade receivables outstanding for a period exceeding six months from the date they are due for payment		
- Considered Good	**1678.67**	2199.80
- Considered Doubtful	**3852.44**	3601.56
	9540.99	8647.35
Less: Provision for Doubtful Debts	**3852.44**	3601.56
	5688.55	5045.79
*Debts due by Firms or Private Companies in which any Director, Officer is a Partner or a Director or a Member	**-**	-
19 CASH AND CASH EQUIVALENTS		
Cash on hand	**4.33**	12.25
Cheques in hand and in transit	**117.30**	13.72
With Scheduled Banks in Current Account	**172.81**	177.01
With Scheduled Banks in Deposit Account*	**3639.81**	3701.48
With Post Office in Savings Bank Accounts**	**1.21**	1.21
	3935.46	3905.67

* Includes
Deposits with maturity of 3 months or less
Deposits with more than 12 months maturity
Deposits held as Margin Money
Deposits held as Security against borrowings, Guarantees, other commission.
** Pass Books deposited with Central Excise Authorities.

	As at 31-03-2012	As at 31-03-2011
20 SHORT TERM LOANS AND ADVANCES UNSECURED CONSIDERED GOOD		
Advance to HMT LTD., Holding Company & its Subsidiaries		
HMT Bearings Limited	**22.42**	22.97
HMT Watches Limited	**943.95**	939.73
	966.37	962.70

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

(₹ In lakhs)

		As at 31-03-2012	As at 31-03-2011
	ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE		
	TO BE RECEIVED		
	UNSECURED		
	Considered Good	**2579.84**	2806.67
	Considered Doubtful	**535.96**	539.03
		3115.80	3345.70
	Less: Provision for doubtful loans and advances	**535.96**	539.03
		2579.84	2806.67
	OTHER ADVANCES *		
	UNSECURED CONSIDERED GOOD		
	Balance with Collectors of Customs, Central Excise, Etc.,	**57.72**	61.44
	Deposits	**474.59**	483.13
	Advance Income Tax	**46.68**	36.08
	Advance Fringe Benefit Tax	**55.20**	55.20
		634.19	635.85
		4180.40	4405.22
	*Debts due by Firms or Private Companies in which any Director, Officer is a Partner or a Director or a Member	**-**	-
21	**OTHER CURRENT ASSETS**		
	Special Tools	**253.57**	206.29
	Interest accrued on Deposits	**66.99**	64.12
		320.56	270.41

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

(₹ In lakhs)

		Year ended 31-03-2012	Year ended 31-03-2011
22	**REVENUE FROM OPERATIONS ***		
	Sale of Machine Tools	**18582.48**	16804.46
	Sales of Accessories	**2807.78**	1631.02
	Sale of services	**164.52**	165.88
	Sundry Jobs and Miscellaneous sales	**2363.15**	2361.83
	Packing & Forwarding Charges	**128.20**	104.98
		24046.13	21068.17
	* Includes Excise Duty		
	* Net of sales returns.		
23	**JOBS DONE FOR INTERNAL USE**		
	Capital works	**(56.61)**	(130.13)
	Shop manufactured Special Tools	**(163.37)**	(88.89)
		(219.98)	(219.02)
24	**OTHER INCOME**		
	Recoveries from Staff/Others	**129.71**	134.91
	Royalties	**-**	1.09
	Interest Income		
	- Interest on Fixed Deposit	**386.59**	310.33
	- Others	**35.81**	16.65
	Government Grant Received	**-**	33.12
	Profit - on sale of Assets	**69.09**	41.68
	- on Exchange Variations	**-**	-
	Provisions withdrawn		
	- Others	**411.08**	273.86
	Miscellaneous Income	**1038.77**	560.54
		2071.05	1372.18
25	**COST OF MATERIAL CONSUMED**		
	Opening Stock of Raw Materials and Components	**1792.48**	1936.37
	Purchases	**5673.95**	4187.05
		7466.43	6123.42
	Less: closing Stock	**1744.74**	1792.48
	Cost of Raw Materials and Components Consumed	**5721.69**	4330.94
	Consumption of Stores, Spares, Tools & Packing Materials *	**4260.77**	2777.07
		9982.46	7108.01
	* Includes Stores and Spares parts For:		
	Repairs to Machinery	**48.47**	45.88
	Repairs to Building	**6.38**	4.76
26	**CHANGES IN INVENTORIES OF FINISHED GOODS, WIP & SCRAP**		
	WORK IN PROGRESS		
	Closing Balance	**4806.16**	4365.68
	Opening Balance	**4365.68**	4882.58
		(440.48)	516.90

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

(₹ In lakhs)

		Year ended 31-03-2012	Year ended 31-03-2011
	FINISHED GOODS		
	Closing Balance	**1779.70**	1604.35
	Opening Balance	**1604.35**	2756.69
		(175.35)	1152.34
	SCRAP		
	Closing Balance	**60.99**	120.76
	Opening Balance	**120.76**	57.52
		59.77	(63.24)
		(556.06)	1606.00
27	**EMPLOYEE BENEFIT EXPENSES***		
	Salaries, Wages & Bonus	**8918.27**	9043.72
	House Rent Allowance	**397.47**	435.50
	Gratuity	**1540.28**	2762.06
	Contribution to PF & Pension Funds	**970.62**	956.26
	Deposit Linked Insurance	**38.44**	22.23
	Contribution to ESI	**15.21**	1.82
	Staff Welfare Expenses	**1984.00**	2026.82
		13864.29	15248.41
	* Includes wages for :		
	- Repairs to buildings	**57.55**	63.00
	- Repairs to Machinery	**456.13**	524.62
28	**DEPRECIATION & AMORTISATION**		
	Depreciation	**977.94**	985.42
	Amortisation of Intangible Assets	**-**	-
		977.94	985.42
29	**OTHER EXPENSES**		
	Power and fuel	**856.77**	789.78
	Rent	**39.03**	34.58
	Rates and taxes, excluding taxes on income	**101.30**	146.60
	Excise Duty	**122.94**	45.96
	Insurance	**16.59**	14.35
	Water and Electricity	**108.96**	116.25
	Repairs to buildings	**21.38**	33.20
	Repairs to machinery	**82.64**	67.67
	Printing and Stationery	**31.45**	36.08
	Travelling Expenses	**193.29**	195.25
	Advertisement and Publicity	**5.10**	5.45
	Training	**2.59**	32.90

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

(₹ In lakhs)

	Year ended 31-03-2012	Year ended 31-03-2011
Auditors Remuneration #	**3.57**	3.44
Other Agents Commission	**0.57**	1.23
Provision for slow/Non-moving inventory and materials	**43.04**	63.16
Provision for Doubtful Debts, Loans and advances	**347.96**	882.71
Warranty claims	**99.19**	110.01
Amortisation of :		
- Reconditioning Expenses	**2.12**	2.12
- Special Tools	**183.51**	119.16
Share of Holding Company Expenses	**100.80**	173.25
Miscellaneous expenses	**690.68**	652.44
Total	**3053.48**	3525.59
# As Auditor		
For Audit	**2.22**	2.22
For taxation matters	**1.14**	1.14
For reimbursement of expenses	**0.06**	-
Service Tax	**0.15**	0.08
	3.57	3.44
30 FINANCE COST		
Interest expense:		
- On Government of India loans	**446.04**	428.50
- On Cash Credits from Banks	**619.36**	417.48
- On Short term loan from Banks	**-**	-
- On Bonds	**21.17**	21.84
- On Other	**208.65**	236.16
Other borrowing costs		
Finance Charges	**-**	-
Bank/Discount Charges	**299.51**	165.72
Applicable net gain/loss on Foreign currency transactions and translation.		
- profit on Exchange Rate Variation	**(2.94)**	(11.72)
- Less: Loss on Exchange Rate Variation	**7.16**	2.76
	1598.95	1260.74
31 Prior period Adjustments: (PPA)		
Expenditure:		
- Material	**-**	-
- Personnel	**-**	-
- Depreciation	**-**	1.71
- Other Expenses	**98.49**	431.64
	98.49	433.35
Less: Income		
- Other Income	**5.25**	14.15
	93.24	419.20
32 EXCEPTIONAL ITEMS	**-**	-
33. EXTRAORDINARY ITEMS	**258.56**	-

NOTE NO. 34 - ADDITIONAL DISCLOSURE

(₹ In lakhs)

	As at 31-03-2012	As at 31-03-2011

BALANCE SHEET

1 Segment Reporting: as per Accounting Standard -17 (AS 17) Machine Tool Products and Servicing of such products being a part of its marketing obligation and the risk and return remaining same, there exists no distinguishable segments to be reported upon.

2 Related Party Transactions: as per Accounting Standard 18 (AS 18) The Company has entered in the related party transaction during the year with its fellow subsidiaries and parent Company. However, no separate disclosure of such transactions is required under Accounting Standard No. 18 in respect of Govt. Controlled Companies.

3 Deferred Tax : as per Accounting Standard 22 (AS 22) As the financial statements of the Company for the year 2011-12 as well as during the previous year 2010-11 shows net loss, the Company has a deferred tax asset and as matter of prudence the same has not been recognised.

4 Impairment of Assets: as per Accounting Standard 28 (AS 28) Based on the Assessment done internally the impact due to impairment of Assets is Nil.

5\. DISCLOSURE REQUIRED AS PER ACCOUNTING STANDARD - 15 (REVISED)

5.1 For HMT Machine Tools Limited except Praga Tools Division, Hyderabad.

Following is the disclosure as per AS-15 in respect of Gratuity Liability limited to Rs. 50,000/-per employee covered under L I C Group Gratuity Scheme.

The Gratuity has been provided by the Company under a defined benefit scheme to cover the eligible Employees, the liability being determined on actuarial valuation done by L I C using Projected Unit Credit Method. The Holding Company i.e. HMT Limited has taken a Master Policy under Group Gratuity Scheme with L I C which includes HMT Limited, HMT Machine Tools Ltd., HMT Watches Limited and HMT Chinar Watches Limited and annual contributions are made to the extent required, to the separate Trust constituted and administered by the Life Insurance Corporation of India under which the coverage is limited to ₹ 50,000/- per eligible employee and the balance is being retained in the books to meet any additional liability accruing thereon . The actuarial valuation has been made based on the following assumptions:

i)	Retirement Age	58Years
ii)	Future Salary escalation	7% p.a
iii)	Rate of discount	8% p.a
iv)	Attrition rate	1 to 3% depending on age
v)	Mortality rate	L I C (1994-96) ultimate

The provision for gratuity as on 31st March 2012 based on the above assumptions for over and above the amount covered under the L I C policy in respect of the Company as assessed by L I C is ₹ 8036.68 lakhs. The allocation of the provision for Gratuity is made based on the L I C data which consists of the provision in accounts of 4 companies Viz. HMT Limited, HMT Machine Tools Limited, HMT Watches Limited and HMT Chinar Watches Limited.

NOTE NO. 34 - ADDITIONAL DISCLOSURE

(₹ In lakhs)

		As at 31-03-2012	As at 31-03-2011
	Defined Benefit Plan		
	Gratuity (Funded)		
a)	Reconciliation of changes in respect of obligations		
	Present value of obligation as at beginning of year	**1048.91**	1041.54
	Interest cost	**83.91**	83.32
	Current Service Cost	**2.83**	2.92
	Benefits Paid	**77.71**	78.47
	Actuarial (gain)/Loss on obligations	**131.57**	0.40
	Present value of obligation as at end of year	**926.37**	1048.91
b)	Reconciliation of changes in the fair value of plan assets		
	Fair value of plan assets of beginning of year	**894.78**	812.05
	Expected return on plan assets	**83.91**	75.56
	Contributions	**72.50**	85.64
	Benefits paid	**77.71**	78.47
	Actual Gain / (Loss) on Plan assets	**-**	-
	Fair value of plan assets at the end of year	**973.49**	894.78
c)	Reconciliation of fair value of plan assets		
	Fair value of plan assets at beginning of year	**894.78**	812.05
	Actual return on plan assets	**83.91**	75.56
	Contributions	**72.50**	85.64
	Benefits Paid	**77.71**	78.47
	Fair value of plan assets at the end of year	**973.49**	894.78
	Funded status	**47.12**	154.13
d)	Actuarial Gain/Loss recognized	**-**	-
	Actuarial gain/(Loss) for the year - Obligation	**131.57**	0.40
	Actuarial gain/(Loss) for the year - plan assets	**-**	-
	Total (gain)/Loss for the year	**131.57**	0.40
	Actuarial gain/(Loss) recognised in the year	**131.57**	0.40
e)	Amounts recognised in the Balance Sheet and Profit & Loss A/c	**-**	-
	Present value of obligations as at the end of the year	**926.37**	1048.91
	Fair Value of plan assets as at the end of the year	**973.49**	894.78
	Funded Status	**(47.12)**	154.13
	Net Asset/(liability) recognised in balance sheet	**(47.12)**	154.13
f)	Expenses Recognised in statement of Profit & Loss Account		
	Current Service Cost	**2.83**	2.92
	Interest Cost	**83.91**	83.32
	Expected return on plan assets	**83.91**	75.56
	Net Actuarial (gain)/loss recognised in the year	**131.57**	0.40
	Expenses recognised in statement of Profit & Loss	**(128.74)**	10.28

NOTE NO. 34 - ADDITIONAL DISCLOSURE

(₹ In lakhs)

		As at 31-03-2012	As at 31-03-2011
5.2	In respect of Praga Tools, Hyderabad, the provision for gratuity has been done based on actuarial valuation and accordingly provision is made for incremental liability every year. The actuary valuation has been made based on the following assumptions: i) Retirement Age : 58Years ii) Future Salary raise : 7% p.a iii) Rate of discount : 8.5% p.a iv) Attrition rate : 1% v) Mortality table : LIC (1994-96)		
	The gratuity liability as on 31st March 2012, based on the above assumptions works out to :	**925.48**	842.10
6.	DISCLOSURE REQUIRED AS PER ACCOUNTING STANDARD -29 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS		
6.1	Provision in respect of present obligations arising out of past events are made in the accounts based on reasonable estimates of the obligations. Provision for Warranty is made as per the Accounting Policy. The details of provisions for Warranty claims are furnished below:		
	Opening Balance as on 1.4.2011	**72.81**	63.19
	Additions during 2011-12	**99.19**	110.01
	Total	**172.00**	173.20
	Less: Used during 2011-12		
	Utilised	**79.67**	83.65
	Withdrawn	**2.50**	16.74
	Closing Balance as on 31st March 2012	**89.83**	72.81
6.2	Claims against the Company not acknowledged as debts		
	A. Tax related claims pending in appeal		
	i) Excise Duty	**504.56**	504.55
	ii) Sales Tax	**-**	-
	iii) Property Tax	**1060.85**	869.02
	iv) Disputed Income-Tax	**-**	-
	B. Employee related claims relating to Lockouts, Back wages, Incentive & Annual bonus, etc., pending adjudication, to the extent ascertainable	**1030.36**	860.05
	C. Others (As shown in Annexure -A)	**2279.66**	2583.25
6.3	"Measne" profit liability, if any, in respect of Mumbai office premises, pending final decision of the Court	**39.20**	39.20
6.4	Additional Bonus, if any, in one of the Units for the years 1970-71 and1972-73 and in some of the Units for 1985-86	**5.45**	5.45
6.5	Non receipt of related Forms against levy of concessional Sales Tax	**1284.43**	895.62
6.6	Estimated amount of contracts remaining to be executed on capital account and not provided for	**989.09**	1194.45

NOTE NO. 34 - ADDITIONAL DISCLOSURE

(₹ In lakhs)

	As at 31-03-2012	As at 31-03-2011

7. Authorised Share Capital

In pursuance to approval of the Annual General Meeting held on 26th September 2008, the Authorized Share Capital of the Company has been increased from ₹ 16 Crore (comprising of 1,60,00,000 Equity Shares of ₹ 10/- each) to ₹ 800 Crore by the creation of 4,45,00,000 Preference Shares of ₹ 100/- each and 33,90,00,000 Equity Shares of ₹ 10/- each. The formalities of filling of Notice of increase in the Authorised Share Capital with the Registrar of Companies in terms of Section 97(1) of the Companies Act.1956 is yet to be completed pending Order from the Central Govt. for exemption from payment of filing fee as per the Rehabilitation Scheme sanctioned by BIFR on 13.06.2008.

8. Issued, subscribed and paid up capital

8.1 Towards Equity Share Capital:

The Govt. of India has released an amount of ₹ 120 Cr. to the Company through HMT Ltd., the Holding Company towards Equity Share Capital to be utilised for Capital Expenditure to the tune of ₹ 90 Cr. Training and Re-training to the extent of ₹ 10 Cr. and ₹ 20 Cr. for Technology acquisition and upgradation totalling ₹ 120 Cr. on 31.03.2007. Moreover ₹ 122.45 Cr. of Govt. of India/HoldingCo. Loan have been converted into Equity Share Capital under the approved Revival Plan of the Company. Further as per the scheme of merger of Praga Tools Ltd., with the Company, sanctioned by BIFR, the Company has allotted 18,44,96,37 Equity shares of ₹ 10/- each to HMT Ltd., the Holding Company. The formalities of filing Return of allotment with ROC and issue of Share Certificates are not completed by the Company, in view of pending order from State Government for exemption from payment of stamp duty.

8.2 Towards Preference Share Capital:

The Govt. of India has released funds to the Company towards 3.5% redeemable Preference Share Capital of ₹. 443 Cr. as on 31.03.2007 under the approved Revival Plan of the Company through HMT Ltd., the Holding Company. The Company has allotted 4,43,00,000 3.5% Redeemable Preference Shares of ₹ 100/- each to HMT Ltd., the Holding Company. The formalities of filing Return of allotment with ROC and issue of Share Certificates are not completed by the Company, in view of pending order from State Government for exemption from payment of stamp duty.

8.3 The Revival Plan sanctioned to the Company vide sanction No. F.No.5.1(1)/2005.PE.X dated 29th March, 2007 has specified for redemption of Preference Share Capital after 3 years out of sale proceeds of the identified surplus assets. Since the sale of the identified assets has not been taken place which is a pre-condition for the redemption, the status of the 3.5% Redeemable Preference Share capital has not been changed.

9. Sanctioned Rehabilitation Scheme from B I F R

The BIFR has sanctioned Rehabilitation Package for the company envisaging various sanctions, waivers and exemptions from various Government agencies and Banks. However, some stake holders filed appeal with AAIFR against the Order of BIFR and final hearing yet to be heard. Pending the outcome of AAIFR Orders and other statutory formalities to be complied with, no effect has been given for the waivers and exemptions in the financial statements for the period ended 31st March 2012 from the various stake holders as envisaged in the DRS, approved by BIFR.

NOTE NO. 34 - ADDITIONAL DISCLOSURE

(₹ In lakhs)

		As at 31-03-2012	As at 31-03-2011
10.	**Inventories**		
10.1	Include Excise Duty paid/payable on Closing Stock of Finished Goods as per the Guidance Note on Accounting Treatment for Excise Duty issued by the Institute of Chartered Accountants of India with effect from 1.4.1999. However, this has no effect on the working results of the Company.	**236.18**	160.95
10.2	Include usable slow/non moving and surplus stores and materials / Work in Progress and Stock in Trade.	**633.84**	513.11
11.	**Trade Receivables include:**		
11.1	Dues towards erection and commissioning for a period exceeding one year.	**242.13**	228.49
11.2	Amounts withheld towards liquidated damages and interest on advances claimed /if claimed on delayed supplies.	**330.52**	516.60
12.	**Advance include:**		
12.1	Amounts recoverable from employees advances, bonus, etc., pending adjudication /negotiations	**11.97**	9.85
12.2	Amount paid by way of Adhoc to employees towards wage/ salary / DA revision arrears, if any, pending adjustment for which necessary provision has been made in the accounts.	**2065.37**	2301.53
12.3	Amount recoverable from sales tax refund on account of sales reversal in Praga division in earlier years, pending final decision by the concerned Sales Tax Authority.	**-**	-
13.	**Current Liabilities:**		
13.1	Dues to Micro and Small Enterprises based on the information available with the Company.		
	a) I) Principal	**170.44**	174.92
	ii) Interest	**-**	2.06
	b) Amount of interest paid	**-**	1.48
	c) Amount of interest accrued and remaining unpaid at the end of each accounting year	**-**	-
13.2	Non-provision towards Govt. counter guarantee fee has been made in the books in respect of Praga Tools Division, Hyderabad.	**-**	98.41
13.3	Non- provision towards penal interest on un-paid contributions under Employees family Pension Scheme in respect of Praga Tools Division, Hyderabad as per directives of BIFR.	**540.45**	349.58
13.4	Provision for penal damages on belated remittances of PF contributions withdrawn as per BIFR sanction in case No. 504/98 in respect of Praga Tools .Division, Hyderabad	**-**	-
14.	Balances under 'Trade Receivables', ' Loans & Advances', and 'Trade payables’ are subject to confirmation, although confirmation has been sought in most of the cases.	**-**	-

NOTE NO. 34 - ADDITIONAL DISCLOSURE

(₹ In lakhs)

		Year ended 31-03-2012	Year ended 31-03-2011
	STATEMENT OF PROFIT & LOSS		
Sales			
15.	Sales are 'net' of sales returns Sales returns for the year	**16.03**	2.33
16.	**Personnel include**		
16.1	Provision for Earned Leave encashment , in compliance to AS -15, based on actuarial valuation of Earned Leave at credit as at year end. Provision remaining at year end ₹1379.70 lakhs. (Previous Year end ₹1705.71 lakhs)	**173.47**	439.71
16.2	Provision for Settlement Allowance, in compliance to AS-15, based on actuarial valuation of Settlement Allowance at credit as at year end. Provision remaining at year end ₹ 400. 55 lakhs. (Previous Year end ₹470.74 lakhs)	**11.06**	67.30
17.	Gratuity has been provided for/paid under a Group Gratuity Policy with Life Insurance Corporation of India. Additional provision made during the year for full coverage (based on salary at year end) in excess of ₹ 50000/- per employee based on actuarial valuation by LIC.	**1540.28**	2762.06
18.	Value of Special Tools individually costing less than ₹750/- written off during the year.	**0.03**	0.39
19.	Expenditure on Research & Development	**208.66**	209.94
20.	Extraordinary item represents income received from BWSSB, Bangalore towards way-leaving charges for laying of under-ground water pipe lines.	**258.56**	-
21.	None of the individual item under Misc. Expenditure and Misc. Income exceeds 1% of the Turnover of the company and hence not separately disclosed.		
22.	Previous year's figures have been reclassified wherever necessary to conform to this year's classification.		

NOTE NO. 34 - ADDITIONAL DISCLOSURE

(₹ In lakhs)

			Year ended 31-03-2012			Year ended 31-03-2011	
1. CONSUMPTION OF RAW MATERIALS AND COMPONENTS							
		Qty.	**Value**		**Qty.**	**Value**
Steel	MT	1672	**829.46**	MT	1408	642.27
Non-ferrous Metals	MT	2	**3.64**	MT	1	4.46
Ferrous Castings	MT	1670	**713.28**	MT	1501	970.46
Non-ferrous Castings	MT	14	**81.46**	MT	10	61.00
Forgings	MT	77	**72.91**	MT	60	63.79
Standard parts			**2223.80**			1236.01
Components			**1580.24**			692.54
Others			**216.90**			660.41
			5721.69			4330.94

2. TURNOVER

	Nos	**Value**	**Nos**	**Value**
Machine Tools	572	**14968.34**	529	13559.65
Die-casting and plastic machinery	25	**809.77**	22	922.84
Presses	3	**1108.93**	3	481.80
Printing Machines	20	**573.71**	28	725.96
Precision Machines	1	**19.89**	0	78.06
Cutter & Grinder	97	**789.01**	90	665.50
Thread Rolling Machines	15	**152.70**	15	146.41
CNC Lathe	6	**116.87**	1	16.81
Sale of Services		**164.52**	0	613.84
Accessories		**2807.78**		2228.29
Sundry Jobs and Miscellaneous Sales		**2363.15**		1297.72
Packing & forwarding charges		**168.57**		154.48
Others		**2.89**		10.93
		24046.13		20902.29

3. INFORMATION REGARDING IMPORTS, EXPENDITURE AND EARNINGS IN FOREIGN CURRENCY/ EXHANGE AND CONSUMPTION

		31-03-2012		31-03-2011
a) CIF VALUE OF IMPORTS:				
Raw Materials		**593.30**		231.54
Components and Spare Parts		**1037.50**		754.58
Capital Goods		**-**		317.09
b) EXPENDITURE IN FOREIGN CURRENCY ON ACCOUNT OF TRAVELLING EXPNS. (ON PAYMENT BASIS)		**2.58**		4.82
c) CONSUMPTION OF RAW MATERIALS, COMPONENTS, STORES & SPARE PARTS				
Imported	23%	**2284.94**	21%	1527.21
Indigenous	77%	**7697.52**	79%	5580.80
	100%	**9982.46**	100%	7108.01
d) EARNINGS IN FOREIGN EXCHANGE				
EXPORTS		**-**		-
Routed through HMT(International) Ltd.,				
OTHERS		**-**		-

Annexure - A

DISCLOSURE REQUIREMENT OF CONTINGENT LIABILITIES AS PER AS - 29

(₹ In lakhs)

"Others "

Sl. No.	Class of Cases	Nature of Cases	Amount
1.	PF / ESI Cases	Demands raised by PF / ESI Authorities	2068.12
2.	Stamp Duty/ Registration Charges	Order towards Stamp duty and Registration Charges on differential value of land - Appeal Filed	17.55
3.	A.P. Central Power Distribution Corporation Limited & Water Board	Amount claimed towards development charges, appeal pending with Andhra Pradesh Electricity Regulatory Commission.	78.84
4.	Risk purchase claim by GAIL	Claims towards risk purchase clause by GAIL of the year 1996-97	8.09
5.	Motor Accident Case	Cases of accident by our vehicle causing injuries to 3rd parties in which HMT is a third party in all these cases because insurance Co. is defending the cases.	16.32
6.	Suppliers Claim	Disputed claims relating to supply of Material, its payment	9.84
7.	Employees Co-op. Society	Interest on loan recoveries	35.96
8.	Customer Claim	HSK Alloys	44.94
	Total		**2279.66**

Annexure - B

DISCLOSURE OF PROVISIONS AS PER AS - 29

(₹ In lakhs)

Sl. No.	Nature of Provision	Opening Balance as on 01-04-11	Addition during 11-12	Used during 2011-12		Closing Balance as on 31-03-12
				Utilised	Withdrawn	
1	Provision for Gratuity	7740.42	1540.28	1244.02		8036.68
2	Provision for Others:					
	a Adhoc Towards Wage / Salary Revision	4063.95	51.32	328.40		3786.87
	b Warranty Claims	72.81	99.19	79.68	2.51	89.81
	c Earned Leave Encashment	1705.71	173.47	490.75	8.73	1379.70
	d Settlement Allowance	470.74	11.06	72.93	8.32	400.55
	e Provision for FBT	56.51	-	-	-	56.51
	Sub-Total	**6369.72**	**335.04**	**971.76**	**19.56**	**5713.44**
	Total	**14110.14**	**1875.32**	**2215.78**	**19.56**	**13750.12**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 ST MARCH 2012

(₹ In lakhs)

		Year ended 31-03-2012		Year ended 31-03-2011
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit Before Tax and Extra-ordinary Items	(4,873)			(9,306)
Adjustment for:				
Depreciation	978		985	
Profit on Sale of Fixed Assets (net)	(69)		(42)	
Interest debited (Net)	873		777	
Deferred Revenue Expenditure (Net)	4		2	
Provision for Obsolescence, Doubtful debts, Advances, Investments	103		760	
		1888		2,483
Operating Profit Before Working Capital Changes		**(2,984)**		(6,823)
Adjustment for:				
Increase (Decrease) in Trade & Other Receivables	(761)		384	
Increase (Decrease) in Inventories	(559)		1878	
Increase (Decrease) in Other Current Assets	(50)		40	
(Increase)Decrease in Trade payables	5347		2707	
		3977		5008
Cash Generated from Operations		**992**		(1,815)
Income Tax paid		**-**		-
CASH FLOW BEFORE EXTRA-ORDINARY ITEMS		**992**		(1815)
Extra-ordinary Items		**259**		-
NET CASH FROM OPERATING ACTIVITIES		**1251**		(1,815)
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets		**(105)**		(988)
Sale proceeds of Fixed Assets		**90**		94
Purchase of Investments		**-**		-
Interest Received		**422**		327
NET CASH USED IN INVESTING ACTIVITIES		**407**		(566)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Issue of Share Capital		**-**		-
Proceeds from Long Term/Short Term Borrowings (net)		**(779)**		2,270.18
Interest Paid		**(849)**		(675)
NET CASH USED IN FINANCING ACTIVITIES		**(1,628)**		1,595
NET INCREASE IN CASH AND CASH EQUIVALENTS		**30**		(787)
CASH AND CASH EQUIVALENTS AS AT 1ST APRIL (Opening Balance)		**3905**		4692
CASH AND CASH EQUIVALENTS AS AT 31ST MARCH (Closing Balance)		**3935**		3905

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 ST MARCH 2012

(₹ In lakhs)

	Year ended 31-03-2012	Year ended 31-03-2011
Disclosure of :		
CASH AND CASH EQUIVALENTS AS AT 31ST MARCH		
Cash on hand	**4**	12
Cheques in hand	**117**	13
With Scheduled Banks in Current Account	**173**	177
With Scheduled Banks in Deposit Account	**3640**	3701
With Post Office in Savings Bank Accounts	**1**	1
	3935	3905

For and on behalf of the Board

S.G. Sridhar
Chairman

M.D. Sreekumar
Managing Director

K. Ramadoss
General Manager (F)

Vikas Goel
Company Secretary

Place : Bangalore
Date : 26th June 2012

As per our Report of Even date
For Vishnu Rajendran & Co
Chartered Accountants
FRN: 004741S

Tom Joseph
Partner
M. No. 201502

Place : Bangalore
Date : 04th July 2012