

## HMT CHINAR WATCHES LIMITED

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## **BOARD OF DIRECTORS**

Shri S. G. Sridhar

*Chairman*

Shri Dinesh Kumar

*Director*

Shri S. Paulraj

*Managing Director I/c*

Shri A. V. Kamat (Upto March 31, 2011)

*Chairman*

Shri S. K. Singh (26th April 2011 to 24th July 2011)

Dr. G. Venkatesh (25th July 2011 to 28th August 2011)

## **STATUTORY AUDITORS**

M/s. Vipen Seht & Associates

Chartered Accountants

148, Dogra Hall

Jammu 180 001

Jammu & Kashmir

## **REGISTERED OFFICE**

Lane 2, Phase II

SIDCO Industrial Complex

Jammu 180 001

Jammu & Kashmir

**PERFORMANCE HIGHLIGHTS**

(₹ In lakhs)

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
<b>OPERATING STATISTICS</b>										
Sales	8	10	68	70	143	284	176	85	132	121
*Other Income	30	119	507	341	31	15	45	26	28	1478
Materials	1	1	7	25	118	229	133	59	67	110
Employees Cost	431	475	571	899	1412	1420	1368	1352	1257	1334
Other operating cost	45	29	365	365	300	286	261	203	262	226
Depreciation	11	12	12	13	11	10	10	9	8	9
Earnings before interest & Tax	-397	-840	-1742	-4330	-2990	-2372	-1830	-1639	-1546	-15
Interest	4007	3700	3252	2617	1912	1617	1256	887	646	616
Earning/ (Loss)before Tax	-4404	-4540	-4994	-6947	-4902	-3989	-3086	-2523	-2192	-631
Taxation ( Net of Provisions withdrawn Refunds)	-	-	-	1	2	2	2	-	-	-
Net Earnings	-4404	-4540	-4994	-6948	-4904	-3991	-3088	-2523	-2192	-631
<b>FINANCIAL POSITION</b>										
Net Fixed Assets	186	197	210	222	221	154	115	103	105	111
Current Assets	1071	1065	1516	1078	1059	1372	862	974	957	1088
Current Liabilities & Provision	4955	4836	4677	4582	4625	3997	3294	2357	2654	2767
Working Capital	-3884	-3771	-3159	-3504	-3566	-2624	-2432	-2310	-1697	-1679
Capital Employed	-3698	-3574	-2949	-3282	-3345	-2470	-2317	-2207	-1592	-1568
Investments	-	-	-	-	-	-	-	-	-	-
Misc. Expenditure	-	-	-	-	-	396	1250	929	829	932
Borrowings	39415	35137	31220	25893	18882	15249	12265	8990	6983	4917
Net Worth	-4311	-38711	-34170	-29176	-22228	-17720	-15482	-11198	-8575	-6485
<b>OTHER STATISTICS</b>										
Capital Expenditure	-	-	-	13	78	53	22	7	2	7
Internal Resources Generated	-4393	-4528	-4982	-6935	-4893	-3981	-3078	-2514	-2184	-622
Working Capital turnover Ratio	-0.01	-0.01	-0.02	-0.02	-0.04	-0.11	-0.07	-0.04	-0.08	-0.18
Current Ratio	-0.22	-0.22	-0.32	-0.24	-0.23	-0.34	-0.26	-0.29	-0.36	-0.39
Return on Capital (%)	-0.77	-0.72	-0.62	-130.7	-102.83	-99.1	-80.9	-86.15	-97.85	-1.06
No. of Employees	111	114	147	228	476	577	580	633	660	764
Per Capita Sales	0.07	0.09	0.46	0.31	0.3	0.49	0.3	0.13	0.20	0.16

## DIRECTORS' REPORT

To  
The Members  
**M/s. HMT Chinar Watches Limited,**

Your Directors have pleasure in presenting the 12<sup>th</sup> Annual Report together with Audited Accounts of the Company for the period ended March 31, 2012, Report of the statutory Auditors and the Comments by the Comptroller and Auditor General of India.

### **OPERATING RESULTS**

Your Company achieved a Sales Turnover of ₹ 7.62 lakhs (Net of trade discount) and Production of ₹ NIL lakhs during the period under review. The operations of the Company during the year resulted in a Net Loss of ₹ 4403.87 lakhs. Due to the skeleton operations at below optimum levels, your Company could not achieve any significant levels of performance and hence could not report any improved performance during the year under review. Moreover, with the uncertainty in the continuity of operations of the Company, nothing much could be achieved as the focus was mainly on reduction of manpower and scaling down the operations to minimum levels.

### **FINANCIAL HIGHLIGHTS**

<b>Financial Highlights</b>	<b>2011-2012</b>	<b>2010-2011</b>
Gross profit / (Loss)	<b>(385.53)</b>	(827.87)
Depreciation	<b>11.53</b>	12.09
Interest	<b>4006.81</b>	3700.44
Net Profit / (Loss) before tax	<b>(4403.87)</b>	(4540.42)
Income Tax ( pertaining to previous years)	<b>Nil</b>	Nil
Fringe benefit tax	<b>Nil</b>	Nil
Net profit / (Loss) after tax	<b>(4403.87)</b>	(4540.42)
Reserves Withdrawn	<b>Nil</b>	Nil
Balance carried to Balance sheet	<b>(4403.87)</b>	(4540.42)

### **DIVIDEND**

In view of the accumulated losses amounting to ₹ 43280.00 lakhs ( Includes loss of ₹ 3253.00 lakhs transferred from HMT Limited, Holding company as per scheme of arrangement in the year 2000-01), your Directors are not in a position to recommend any Dividend on the Equity Share capital for the period under review.

### **SHARE CAPITAL**

The issued, Subscribed and Paid- up Share Capital of Your Company stood at ₹ 1,66,01,000/- as on March 31, 2012.

### **PRESENT STATUS**

The Board for Restructuring of Public Sector Enterprises (BRPSE) in its recommendations submitted to the Administrative Ministry viz., Department of Heavy Industry, Govt of India., have proposed handing over of the Company to the State Govt. of Jammu & Kashmir, as one of its first option. The DHI has accordingly submitted the proposal to the State Govt. for take over of the Company. and the proposal is under its active consideration. In the meanwhile, the Government has issued instructions for the disposal of the assets of the Company except land and buildings by way of auction and complete the process expeditiously. Further action will be initiated after the pending court case filed by employees Union is disposed off.

### **AUDITORS**

M/S. Vipen Seht & Associates, Chartered Accountants were appointed as Branch Auditors as well as Statutory Auditors of the Company for the Year 2011-12.

Replies to the observations by the Auditors in their report are given by way of an addendum to this report. The comments by Comptroller and Auditor General of India on the accounts are given separately.

### **VIGILANCE ACTIVITIES**

The vigilance cell functioning in the Holding Company is keeping a watch on the overall activities of the Company. The Vigilance Officer of the Company/ Unit is carrying out surprise checks and inspections in various departments.

### **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 Companies (Disclosures of particulars) Rules, 1988, are annexed to this report.

### **PERSONNEL**

The employee strength as on March 31, 2012 was One hundred Eleven (111) as compared to 114 at the beginning of the year.

The number of employees on the rolls of the company as on March 31, 2012 in SC, ST, Ex- Service men, Other Backward class and physically handicapped categories is as follows:

Schedule Caste	14
Schedule Tribe	02
Ex- Servicemen	NIL
Other backward class	NIL
Physically Handicapped	05

**PARTICULARS OF EMPLOYEES**

Information in accordance with the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended is NIL for the Year ended March 31, 2012.

**EMPLOYEE RELATIONS**

Industrial relations situation in the Company during the year remained cordial despite difficulties faced on account of delay in payment of Salaries and wages to the employees.

**IMPLIMENTATION OF OFFICIAL LANGUAGE**

The Company continued to pursue its efforts in implementing the official language policy of the Government. Hindi Diwas and Saptah were observed in your Company during September, 2011 by organizing Hindi workshop, Debates etc.

**DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to Sub-section (2AA) of section 217 of the companies act, 1956, the Board of Directors hereby state and confirm that:-

- In the preparation of Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to Material Departures.
- In the preparation of Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to Material Departures.
- The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at

the end of the financial year and of the Profit / Loss of the Company for that period.

- The Directors had 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 for preventing and detecting fraud and other irregularities.
- The directors had prepared the annual accounts on a going concern basis.

**DIRECTORS**

Pursuant to Article 77(1) of the Article of Association of the Company and Section 255 read with Sections 257 and 262 of the Companies Act, 1956, as amended, Shri S. G. Sridhar, Chairman & Managing Director in charge, HMT Ltd., the Holding Company has been appointed as the Chairman of the Company with effect from 17.10.2011 who retires in terms of Section 256 read with Section 257 of the Companies Act, 1956, as amended, at the ensuing Annual General Meeting.

**ACKNOWLEDGMENTS:**

The Directors are thankful to HMT Limited, The Holding Company, the various departments and ministries in the GOI particularly the Department of heavy Industry, Ministry of Corporate Affairs, Comptroller and Auditor General of India, Principal Director- Commercial Audit, Statutory and Branch Auditors, various State Governments specifically the State Govt of J&K, Suppliers and Dealers, The Consortium of Banks and valued Customers of the Company, for their continued support and patronage.

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

For and on behalf of the Board of Directors



( S.G. SRIDHAR )  
Chairman

Place : Bangalore  
Date :

## ANNEXURES TO THE DIRECTORS' REPORT

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

Companies (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 gives major emphasis for conservation of energy. The energy utilization in our manufacturing units is monitored constantly in order to achieve effective conservation of energy. The energy conservation measures taken during the year 2009-2010 were:

1. Reallocation of work place of administrative staff resulted in saving of energy cost by way of minimum utilization of lighting, cooling and heating systems.
2. Centralized control of coolers, heaters and shop lightings.
3. Switching off machines/Equipments when not in use and switching off lights in the area not having adequate activity.

##### b. ADDITIONAL INVESTMENTS AND PROPOSALS, IF ANY BEING IMPLEMENTED FOR REDUCTION OF ENERGY CONSUMPTION

Providing energy saving lighting equipments in place of Tube lights and bulbs.

##### c. IMPACT ON COST OF PRODUCTION OF GOODS:

The measures taken as above led to savings in energy consumption at various levels.

##### d. TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT PRODUCTION:

Not applicable, as the company is not covered in the list of Specified industries.

#### B. TECHNOLOGY ABSORPTION

##### Research and Development:

- 1) Specific areas                      Development of New Watch Models
- 2) Benefits derived                      Enabled the company to meet the emerging Competition
- 3) Future plan of Action                      With R&D being a continuous process, Watch Models with new designs/aesthetics will be manufactured
- 4) Expenditure on R&D                      Nil
- 5) Technology Absorption and Adoption
  - i. Efforts in brief towards technology absorption and innovation and
  - ii. Benefits derived as a result of above were reduction in costs in the production of Watches by constant up gradation:

#### 'C' FOREIGN EXCHANGE EARNINGS AND OUTGO

Total Foreign Exchange used and earned:

NO Foreign Exchange has been earned during the Year.

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**CORPORATE GOVERNANCE**

In compliance with the Guidelines on Corporate Governance for Central Public 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, your Company hereby submit the report on Corporate Governance. 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 March 31, 2012, the Board of Directors comprised of Chairman & Managing Director, two part-time Official

Directors. Currently the position of 3 part-time Non Official (Independent) Directors are vacant.

The day-to-day Management of the Company is conducted by the Chairman & Managing Director and under the supervision and control of the Board of Directors.

During the year 2011-12, Four (4) Board Meetings were held on June 29, September 17, December 26, in the calendar year 2011 and on March 26 in the calendar year 2012

The compositions of Directors and their attendance at the Board Meetings and at other 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
S.G. Sridhar	NENI	4	Yes	6	-	-
S. Pulraj	ENI	4	Yes	2	-	-
Dinesh Kumar	NENI	3	-	1	-	-

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

**Brief Resume of Directors appointed during the year 2011-12**

**Shri S G Sridhar is the Chairman and Managing Director of HMT Limited.** He was Director (Operations) of HMT Limited prior to his posting as the Chairman and Managing Director.

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. Just before taking over as CEO of the Company, he held the post of Director, Operations, responsible for overall business operations of the 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).

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

**Shri S. Paulraj** has been appointed as Managing Director of HMT Watches Limited, a wholly owned subsidiary of Govt. of India Public Sector Undertaking HMT Limited during Sep. 2008. Prior to his appointment as Managing Director Shri S.Paulraj, was General Marketing Manager of HMT Machine Tools Limited at Chennai.

Shri S. Paulraj started his carrier as an Assistant Engineer in Corporation of Madras City in 1979 and joined HMT during 1980 as an Engineer Trainee, Central pool in GOD, Bangalore. Shri S. Paulraj held various positions in the Company in the areas of Servicing and Marketing of Machine Tools for the past 28 years in Northern, Western and Southern Regions.

Shri S. Paulraj, possesses a Degree in Mechanical Engineering, Post graduate degree – MBA in Financial Management and M. Phil in Management.

**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 .The Company has requested to the Administrative Ministry for the same.

**Remuneration of Directors**

An amount of ₹1,500/- is payable only to independent Directors for attending each meetings of the Board and Committees.

**General Body Meetings**

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

Financial Year	Date	Time	Venue
2008-09	17.08.2009	10.30 AM	Registered Office of HMT LTD.
2009-10	03-09-2010	10.30 AM	
2010-11	03-09-2011	10.30 AM	

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.

There are outstanding Statutory Dues payables by some of the units of the Company which have approached /are approaching the Provident Fund Authorities for settlement in Monthly Installments.

There were no other instances of non-compliance by the Company, penalties, strictures imposed on the

Company by 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 the 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.hmt.....com.

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**ADDENDUM TO DIRECTOR'S REPORT FOR THE YEAR 2011-12 IN RESPECT OF OBSERVATIONS MADE BY STATUTORY AUDITORS ON THE ACCOUNTS OF HMT CHINAR WATCHES LIMITED FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012**

Ref.	Auditors' Observations	Company's Reply
Para 3 g (i)	The provision for wages/salary arrears for the period 01-01-1992 to 31-03-1995/30-09-1995 is stated at ₹ 62.81 Lakh though the Company has made an advance of ₹ 47.85 Lakh on this account leaving a net liability of ₹ 14.96 Lakhs.,	The settlement of wages / salary revision arrears consequent to wage / pay revision of 1992, relating to the employees of the Company for the period 01.01.1992 to 31.03.1995/30.09.1995 has not been made till date, pending improvement in the financial performance of the Company. Accordingly, disclosure of advance paid is made vide Explanatory Note No: B 15.
g (ii)	Except CISF, HC Loans, Group companies / Units, bank loans, bank balances, all other debtors, creditor receivables and payables are unconfirmed / un-reconciled.	Confirmation has been sought in many cases. Necessary disclosure has been made in Explanatory Note No: B-15 in this regard.
g (iii)	There are few old outstanding debit and credit balances which are being carried forward from year to year without any adjustment.	Old outstanding in respect of some parties remaining unsettled due to no claim / communication from these parties are being looked into and necessary adjustments will be made in the ensuing financial year.
g (iv)	The MRP of items has been revised upward by the Company. As such valuation of closing stock is increased in this year as compared to previous year.	Inventories are valued at the lower of cost and net realizable value as per the Accounting Policy of the Company.
g (v)	Identification of impaired assets recognition and measurement of impairment loss as required by AS – 28 has been dispensed with in the light of certificate issued by the Technical Expert Committee of the Company to the effect that the carrying amount of assets to which AS – 28 relates, does not exceed recoverable amount of these assets.	The Company's technical committee has considered all the measures / requirements as per AS – 28, in assessing the impairment of assets as at 31-03-2012 before issuing the certificate.
g (vi)	During the year under audit the company has net of the figures of interest paid to bank and interest received from bank on temporarily FDR's. This does not affect the Profit and Loss of the Company.	The practice of net off of the interest paid with the interest received is being followed by the Company consistently and is in line with the practice adopted by Holding Company and its subsidiaries.

**AUDITORS REPORT**

To  
The Members  
**Hmt Chinar Watches Limited,**

We have audited the attached Balance Sheet of HMT Chinar Watches Limited, as at 31<sup>st</sup> March 2012 and the Profit & Loss Account, and also the Cash Flow Statement for the year ended on that date annexed thereto, in which is incorporated accounts of Watch Factory, Srinagar, audited by Branch Auditors appointed under section 619(2) of the Companies Act, 1956. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our Audit.

We conducted our audit in accordance with 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in 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.

1. As required by the Companies (Auditor's Report) Order 2003 as amended vide Companies (Auditors Report) amendment order 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act 1956, we enclose in the Annexure hereto a statement on the matters specified in paragraph 4 and 5 of the said Order.
2. Further to our Comments in the annexure referred to in paragraph (2) above, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of Audit.

- b) In our opinion proper books of Account as required by law have been kept by the Company so far as appears from our examination of such books.
- c) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of Accounts.
- d) In our opinion, the Balance Sheet, Profit & Loss A/C and Cash Flow dealt with by this report comply with the Accounting Standards referred to in Sub Section (3C) of Section 211 of the Companies Act 1956, in so far as they are applicable to the Company.
- e) The requirement under Clause (g) of Sub Section (1) of Section 274 of the Companies Act, 1956 with regard to Directors qualification do not apply to the Company, being a Govt. Company, as per notification no: GSR 829(E) dated 21-10-2003 issued by the Department of Company Affairs, Government. Of India.
- f) The constitution of Audit Committee and review of financial statements by the Audit Committee is not applicable to the Company, as the Paid up Capital of the Company is lower than the prescribed limit of five crores of rupees under section 292 A of the Companies Act 1956.
- g) Attention is drawn to the matters referred to in following Sub paragraphs:
  - i) The provision for wages/salary arrears for the period 01-01-1992 to 31-03-1995/30-09-1995 is stated at ₹ 62.81 lakh though the Company has made an advance of ₹47.85 lakh on this account leaving a net liability of ₹ 14.96 lakh.

- ii) Except CISF, HC Loans, Group Companies / Units, bank loans, bank balances, all other debtors, creditor receivables and payables are unconfirmed / un-reconciled.
- iii) There are a few old outstanding debit and credit balances which are being carried forward from year to year without any adjustment.
- iv) The MRP of items has been revised upward by the Company. As such valuation of closing stock is increased in this year as compared to previous year.
- v) Identification of impaired assets recognition and measurement of impairment loss as required by AS – 28 has been dispensed with in the light of certificate issued by the Technical Expert Committee of the Company to the effect that the carrying amount of assets to which AS-28 relates, does not exceed recoverable amount of these assets.
- vi) During the year under audit the company has net of the figures of interest paid to bank and interest received from bank on temporarily FDR's. This does not affect the Profit and Loss of the Company.
- h) 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 Schedule of significant Accounting Policies and Notes on Accounts attached to and forming part thereof, give the information as required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
  - i) In case of Balance Sheet of the state of affairs of the Company as at 31<sup>st</sup> March 2012 and,
  - ii) In case of Profit and Loss Account of the loss of the Company for the year ended on that date and,
  - iii) In case of Cash Flow Statement of the Cash Flow of the Company for the year ended on that date.

For **VIPEN SEHT & ASSOCIATES**  
CHARTERED ACCOUNTANTS

**(VIPEN SEHT)**  
PROPERITOR  
Membership No: 84933

PLACE: Jammu  
DATE : 14.07.2012

## **ANNEXURE TO AUDITOR'S REPORT**

### ***Annexure referred to in paragraph (2) of Audit Report of even date for the year 2010-11.)***

- |   |   |
|---|---|
| <p>I.a) The Company has maintained proper records showing full particulars, including quantitative details and the situation of fixed asset</p> <p>b) The Company has a policy of physical verification of fixed assets once in a period of three years which in our opinion is reasonable having regard to the size of the Company and the nature of its business. The latest physical verification of fixed assets was conducted during the current year i.e., 2009-10 and as informed no discrepancies was noticed.</p> <p>c) In the light of 43<sup>rd</sup> Board Meeting held on 30<sup>th</sup> June 2010 and draft Directors Report for the year ended March 2010 regarding the future scenario of the Company, the Government has issued instructions for the disposal of assets of the Company except for land and building by way of auction, the Company has initiated action towards this end and a proposal in this regard is being placed before the members for consideration. However, none of the fixed assets have been disposed off during the year and hence going concern concept is not affected.</p> <p>II a) The inventories comprising of Raw Materials, Stores, Components, Tools, Spare Parts Work-in-Progress and finished goods have been physically verified by the management during the year. In our opinion, the frequency of the verification is reasonable.</p> <p>b) The procedures for the physical verification of Inventories followed by the management are reasonable and adequate and commensurate with the size of the Company and the nature of its business.</p> <p>c) The Company has maintained proper records of inventory. The discrepancies between the physical stocks and the book records were not material and have been properly dealt with in the books of accounts.</p> | <p>III. The Company has not granted or taken any loan secured or unsecured to / from Companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956. Consequently points (a) to (g) of this Para are not applicable.</p> <p>IV. In our opinion and according to the information and explanation given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of audit we have not observed any major weakness in the internal control system.</p> <p>V. a) In our opinion and according to the information and explanation given to us, there are no transactions that need to be entered into a register maintained under section 301 of the Companies Act, 1956.</p> <p>b) As indicated above, the clause (v) (b) relating to the reasonableness of prices of transactions in pursuance of contracts or arrangements, having regard to the prevailing Market Price is not applicable.</p> <p>VI The Company has not accepted or received any deposits from the Public during the year.</p> <p>VII In our opinion, the internal audit system of the Company is commensurate with the size and nature of its business.</p> <p>VIII The Central Government has not issued any notification prescribing the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956, for the product of the Company, for the year under Audit.</p> <p>IX a) The Company is regular in depositing undisputed statutory dues including PF, Pension fund, Income tax recoveries, Sales tax, VAT, Excise duty, Custom duty, education cess and any other statutory dues with the</p> |
|---|---|

- appropriate authorities and there are no arrears of outstanding statutory dues as on the last day of the financial year for a period of more than six month from the day they became payable. However, the Provident Fund dues and Pension Fund are not deposited regularly with the concerned authority. The arrears on this account are outstanding for a period of more than six months as on 31.03.2012.
- b) There are no dues of Income tax / Value added tax / custom duty / excise duty / cess under dispute.
- X The Company has accumulated losses which are more than 50% of its net worth and has incurred cash loss in the current year as well as in the previous financial year.
- XI The Company has not defaulted in repayment of dues to financial institutions / banks. Moreover, the Company has not issued any debentures so far.
- XII The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- XIII The Company is not a chit fund or a nidhi / mutual benefit fund, society. Therefore, clause 4(xiii) of the Companies (Auditors Report) order 2003 is not applicable to the Company.
- XIV. The Company is not dealing or trading in shares, securities, debentures and other investments.
- XV The Company has not given any guarantee for loans taken by others.
- XVI No term loans have been raised by the Company, hence not applicable.
- XVII The funds raised on short term / long term basis by the Company have been used for the purpose for which funds were obtained.
- XVIII The Company has not made any Preferential allotment of shares during the year.
- XIX The Company has not issued any debentures as such no securities needed to be created.
- XX The Company has not raised any money by way of Public Issues during the year.
- XXI To the best of our knowledge and belief 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.

For **VIPEN SEHT & ASSOCIATES**  
CHARTERED ACCOUNTANTS

**(VIPEN SEHT)**  
PROPERITOR  
Membership No: 84933

PLACE: Jammu  
DATE : 14.07.2012

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

The preparation of financial statements of HMT Chinar Watches Limited for the year ended 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 statement 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 14 July 2012.

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

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

**(Naina A. Kumar)  
Principal Director of Commercial Audit  
& Ex-Officio Member, Audit Board - II,  
New Delhi**

**Place : New Delhi**

**Date :**

**COMPLIANCE CERTIFICATE**

CIN: U29190JK2000PLC002088

To  
The Members  
**M/S. HMT CHINAR WATCHES LIMITED,**

I have examined the registers, records, books and papers of **M/S. HMT CHINAR WATCHES LIMITED**, as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on **31.03.2012** (financial year). In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the company, its officers and agents, I certify that in respect of the aforesaid Financial Year:

1. The Company has kept and maintained all registers as stated in **Annexure 'A'** to this certificate, as per the provision of the Act and the rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in **Annexure 'B'** to this certificate, with the Registrar of Companies Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made there under
3. The Company, being a Public Limited Company, has the minimum prescribed paid up Capital.
4. The Company is a Government Company. The Board of Directors duly met only **3** times respectively on **17.09.2011**, **26.12.2011** and **26.03.2012** in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.
5. The Company was not required to close its register of members during the Financial Year.

**AUTHORISED CAPITAL: RS. 200 LAKHS**

6. The Annual General Meeting for the Financial Year ended on **31.03.2011** was held on **30.09.2011** after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose
7. No Extra-ordinary Meeting was held during the Financial Year.
8. The Company is a Government Company. The Company has not advanced any loans to its directors or persons or firms or Companies referred to under Section 295 of the Act.
9. The Company is a Government Company. The Company has duly complied with the provisions of Section 297 of the Act in respect of contracts specified in that section.
10. The Company is a Government Company. The Company has made necessary entries in the register maintained under section 301 of the Act
11. As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of directors, members or Central Government, as the case may be.
12. The Company has not issued any duplicate certificates during the financial year.
13. The Company has :-
  - (i) Delivered all the certificates on lodgment thereof for transfer in accordance with the provisions of the Act:
  - (ii) The Company has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
  - (iii) The company was not required to post warrants to any member of the company as no dividend was declared during the financial year.

- (iv) not applicable
- (v) Duly complied with the requirements of section 217 of the Act.
13. The Company is a Government Company as defined under Section 617 of the Companies Act, 1956. The Board of Directors is duly constituted and the appointments of Directors, additional directors, alternate directors and directors to fill casual vacancies have been duly made.
14. The Company is a Government Company the Company has not appointed any managing Director/Whole-time Directors during the Financial Year.
16. The Company has not appointed any sole selling agents during the Financial Year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and/or such authorities prescribed under the various provisions of the Act.
18. The Directors have disclosed their interest in other firms/Companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. The Company has not issued any Shares, debentures or other securities during the Financial Year.
20. The Company has not bought back any shares during the Financial Year.
21. There was no redemption of preference shares or debentures during the Financial Year.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A during the Year.
24. The Company is a Government Company. The amount borrowed by the Company from directors, members, public, financial institutions, banks and others during the financial year is within the borrowing limits of the Company.
25. The Company is a Government Company the Company has not made any loans or advances during the financial year.
26. The Company has not altered the provisions of the Memorandum with respect to Situation of the Company's Registered Office from one State to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the Objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to Name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the memorandum with respect to Share Capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the Financial Year.
31. There was no prosecution initiated against or show cause notices received by the Company during the financial year, for offences under the Act.
31. The Company has not received any money as security from its employees during the Financial Year.
33. The Company has not constituted any separate Trust for its employees and hence the question of deposit of contribution with prescribed authorities Pursuant to Section 418 of the Act does not apply.

Place: Bangalore  
Date: 14.07.2012

Name of the Company Secretary  
C.P. NO. : 2022



**FORMS AND RETURNS AS FILED BY THE COMPANY WITH REGISTRAR OF COMPANIES, REGIONAL DIRECTOR, CENTRAL GOVERNMENT OR OTHER AUTHORITIES DURING THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH 2012.**

**Annexure - A**

**Registers as maintained by the Company:-**

1. Register of Members u/s 150 of the Act
2. Register of Directors u/s 303
3. Register of Directors Shareholding u/s 307
4. Minutes of Board Meetings with Attendance Register
5. Minutes of Annual General Meetings with Attendance Register

**Annexure -B**

- |                                   |                     |
|-----------------------------------|---------------------|
| 1. Balance Sheet as on 31.03.2011 | Filed on 30.12.2011 |
| 2. Compliance certificate         | Filed on 17.10.2011 |

Place: Bangalore  
Date: 14.07.2012

Name of the Company Secretary  
C.P. NO. : 2022

## 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 output; 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 are carried at lower of cost and fair value. Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment. Gain or loss is recognized in the year of sale.

**Inventories**

Inventories are valued at the lower of cost and 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 Watches

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 Gratuit

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 Watches sold is set up based on the past experience and is provided in the year of sale.

**Special Tools**

Expenditure on manufactured and bought out special tools are amortized equally over a five year period or earlier, if scrapped. Individual items costing less than ₹.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 Encasement (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 31ST MARCH 2012**

(₹ In lakhs)

Particulars	Note No.	As at 31-03-2012	As at 31-03-2011
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	B1	166.01	166.01
Reserves and Surplus	B2	(43280.00)	(38876.13)
<b>NON-CURRENT LIABILITIES</b>			
Long-term Borrowings	B3	15196.14	14062.82
Deferred Tax Liabilities (Net)		-	-
Other Long Term Liabilities		-	-
Long-term Provisions	B4	611.09	570.55
<b>CURRENT LIABILITIES</b>			
Short-term Borrowings			
Trade Payables	B5	7675.87	7386.72
Other Current Liabilities	B6	20.74	19.71
Short-term Provisions	B7	20792.68	17866.16
	B8	73.56	66.75
<b>TOTAL</b>		<b>1256.09</b>	<b>1262.59</b>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed Assets			
Tangible Assets	B9	185.58	197.13
Intangible Assets		-	-
Non-Current Investments		-	-
Deferred Tax Assets (Net)		-	-
Long Term Loans and Advances		-	-
Other Non-Current Assets		-	-
<b>CURRENT ASSETS</b>			
Inventories			
Trade Receivables	B10	733.00	680.43
Cash and Cash Equivalents	B11	32.27	35.32
Short-term Loans and Advances	B12	230.46	276.76
Other Current Assets	B13	74.77	72.94
	B14	0.01	0.01
<b>TOTAL</b>		<b>1256.09</b>	<b>1262.59</b>

See accompanying notes to the financial statements.

Additional Information to Balance Sheet

Accounting Policies form part of the Accounts

B15

For and on behalf of the Board

 As per our Report of even date  
**FOR VIPEN SEHT & ASSOCIATES**  
 Chartered Accountants

**S. G. Sridhar**  
 Chairman

**S. Paulraj**  
 Managing Director

**Vipen Seht**  
 Proprietor  
 M.No. 84933

 Place : Jammu  
 Date : 14-07-2012

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2012** (₹ In lakhs)

Particulars	Note No.	As at 31-03-2012	As at 31-03-2011
<b>REVENUE</b>			
Gross Revenue from Operations	P1	8.20	10.35
Less: Excise Duty		0.58	0.69
Net Revenue from Operations		<u>7.62</u>	<u>9.66</u>
Other Income	P2	29.97	37.06
<b>Total Revenue</b>		<u>37.59</u>	<u>46.72</u>
<b>EXPENSES</b>			
Cost of Materials Consumed	P3	0.11	0.03
Changes in Inventories of Finished Goods, WIP & Scrap	P4	(53.21)	0.42
Employee Benefits Expense	P5	430.67	474.72
Depreciation & Amortisation	P6	11.53	12.09
Other Expenses	P7	45.01	29.16
Finance Cost	P8	4006.81	3725.78
<b>Total Expenses</b>		<u>4440.92</u>	<u>4242.20</u>
<b>Profit / (Loss) Before Adjustment for Prior Period, Exceptional, Extraordinary Items and Tax</b>		<b>(4403.33)</b>	(4195.48)
Prior Period Adjustments	P9	0.54	(0.06)
Exceptional Items	P10	-	345.00
<b>Profit / (Loss) Before Extraordinary Items and Tax</b>		<b>(4403.87)</b>	4540.42
Extraordinary Items		-	-
<b>Profit / (Loss) Before Tax</b>		<b>(4403.87)</b>	(4540.42)
<b>Profit / (Loss) for the period</b>		<b>(4403.87)</b>	(4540.42)
Earnings Per Equity Share:			
Basic / Diluted Earnings Per Share of ₹ 10/- each (in Rupees)		(265.28)	273.50
No. of Equity Shares (Weighted Average Basis)		1660100.00	1660100.00

See accompanying notes to the financial statements.  
Additional Information to Statement of Profit and Loss  
Accounting Policies form part of the Accounts

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For and on behalf of the Board

As per our Report of even date  
**FOR VIPEN SEHT & ASSOCIATES**  
Chartered Accountants

**S. G. Sridhar**  
Chairman

**S. Paulraj**  
Managing Director

**Vipen Seht**  
Proprietor  
M.No. 84933

Place : Jammu  
Date : 14-07-2012

**NOTES FORMING PART OF BALANCE SHEET**

(₹ In lakhs)

Particulars	As at 31-03-2012	As at 31-03-2011		
<b>B1 SHARE CAPITAL</b>				
<b>AUTHORISED</b>				
2000000 (previous year 2000000) Equity Shares of Rs. 10/- each	<u>200.00</u>	<u>200.00</u>		
	<b>200.00</b>	<b>200.00</b>		
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>				
1660100 (previous year 1660100) Equity Shares of Rs.10/- each held by HMT Limied, the Holding Company	<u>166.01</u>	<u>166.01</u>		
	<b>166.01</b>	<b>166.01</b>		
	As at 04-01-2011	As at 31-03-2012	Withdrawals	As at 31-03-2011
<b>B2 RESERVES AND SURPLUS</b>				
Capital Reserve	-	-	-	-
General Reserve	-	-	-	-
Balance in Statement of Profit & Loss	<u>(38876.13)</u>	<u>(4403.87)</u>	-	<u>(43280.00)</u>
	<u>(38876.13)</u>	<u>(4403.87)</u>	-	<u>(43280.00)</u>
<b>B3 LONG TERM BORROWINGS</b>				
<b>UNSECURED</b>				
Loans from Government of India		<b>15196.14</b>		14062.82
Repayment in 5, 2, 1 equal annual installments from the date of drawal of loan				
Amount of continuing default Rs10242.00 lakhs (Previous Year Rs. 7943.03 Lakhs)		<u>15196.14</u>		<u>14062.82</u>
<b>B4 LONG TERM PROVISIONS</b>				
Gratuity		<b>549.11</b>		496.68
Earned Leave Encashment		<b>46.59</b>		57.76
Settlement Allowances		<b>15.39</b>		16.11
		<u>611.09</u>		<u>570.55</u>
<b>B5 SHORT TERM BORROWINGS</b>				
<b>UNSECURED</b>				
Loans from Holding Company		<u>7675.87</u>		<u>7386.72</u>
		<b>7675.87</b>		<b>7386.72</b>
<b>B6 TRADE PAYABLES</b>				
Dues towards Goods purchased & Services received		<u>20.74</u>		<u>19.71</u>
		<b>20.74</b>		<b>19.71</b>

**NOTES FORMING PART OF BALANCE SHEET**

(₹ In lakhs)

Particulars	As at 31-03-2012	As at 31-03-2011
<b>B7 OTHER CURRENT LIABILITIES</b>		
Current maturities of long-term debt		
Loans from Government of India	<b>2011.45</b>	2686.77
Interest accrued & due on GOI loan	<b>14531.79</b>	11000.73
Interest accrued but not due on GOI Loan	<b>1958.93</b>	1842.38
Sundry Creditors - employees	<b>51.09</b>	66.72
Other liabilities	<b>2239.42</b>	2269.56
	<b>20792.68</b>	17866.16
<b>B8 SHORT TERM PROVISIONS</b>		
Gratuity	<b>3.30</b>	0.00
Earned Leave Encashment	<b>2.75</b>	0.00
Settlement Allowances	<b>0.73</b>	0.00
Pay Revision Arrears	<b>62.81</b>	62.70
Warranty	<b>0.20</b>	0.21
Others	<b>3.77</b>	3.84
	<b>73.56</b>	66.75
<b>B10 INVENTORIES*</b>		
Raw Materials and components	<b>33.20</b>	33.20
Work-in-progress	<b>235.84</b>	235.84
Finished goods	<b>525.95</b>	472.75
Stores and spares	<b>53.45</b>	54.07
Tools and instruments	<b>37.02</b>	37.03
Scrap	<b>2.58</b>	2.58
Less: Provision for non moving inventories	<b>155.04</b>	155.04
	<b>733.00</b>	680.43
* Includes stock with C&F Agents / Contractors / Ancillary units Customs / in Bonds / at site		
<b>B11 TRADE RECEIVABLES</b>		
<b>UNSECURED</b>		
Trade receivables outstanding for a period less than six months from the date they are due for payment:	-	-
Considered good	-	-
Trade receivables outstanding for a period exceeding six months from the date they are due for payment:		
Considered good	<b>32.27</b>	35.32
	<b>32.27</b>	35.32
*Debts due by firms or Private Companies in which any Director, officer is a partner or a director or a member	-	-



**NOTES FORMING PART OF BALANCE SHEET**

(₹ In lakhs)

Particulars	As at 31-03-2012	As at 31-03-2011
<b>B12 CASH AND CASH EQUIVALENTS</b>		
Cash and Cheques on hand	0.32	0.51
Balance with Banks in Current account	28.28	22.03
Balance with Banks in Deposit account*	201.86	254.22
	<u>230.46</u>	<u>276.76</u>
* Includes		
Deposits with maturity of 3 months or less	8.41	50.50
Deposits with more than 12 months maturity	193.45	203.72
 <b>B13 SHORT TERM LOANS AND ADVANCES</b>		
<b>SECURED, CONSIDERED GOOD:</b>		
<b>UNSECURED, CONSIDERED GOOD:</b>		
<b>Advance to Group Companies</b>		
HMT Limited	10.86	8.58
HMT Machine Tools Limited	1.77	1.77
 <b>ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED</b>		
<b>UNSECURED</b>		
Considered Good	49.72	50.96
	<u>62.35</u>	<u>61.31</u>
<b>OTHER ADVANCES</b>		
<b>UNSECURED CONSIDERED GOOD</b>		
Balance with Collectors of Customs, Central Excise, etc.,	11.63	11.63
Advance Income Tax	0.79	-
	<u>12.42</u>	<u>11.63</u>
	<u>74.77</u>	<u>72.94</u>
 Debts due by firms or Private Companies in which any Director, officer is a partner or a director or a member	-	-
 <b>B14 OTHER CURRENT ASSETS</b>		
Special Tools	0.01	0.01
	<u>0.01</u>	<u>0.01</u>

**NOTES FORMING PART OF BALANCE SHEET**

(₹ In lakhs)

Particulars	As at 31-03-2012	As at 31-03-2011
<b>B15 ADDITIONAL INFORMATION TO BALANCE SHEET</b>		
<b>1 The Company is contingently liable for:</b>		
1.1 Claims against the Company not acknowledged as debts		
A. Tax related claims pending in appeal		
i) Excise Duty	-	-
ii) Sales Tax	-	-
B. Employee related claims relating to Lockouts, Back wages Incentive & Annual bonus, etc., pending adjudication, to the extent ascertainable	<b>68.01</b>	65.67
C. Others		
i) Interest / Penal Interest on CISF dues	<b>1028.52</b>	1028.52
ii) Lease rentals (for unexpired period of lease land)	<b>0.13</b>	0.13
iii) Penal Interest & Damages u/s 14B / 7Q of EPF	<b>0.24</b>	-
<b>2 Inventories include</b>		
Excise Duty paid / payable on Closing Stock of Finished Goods	<b>68.58</b>	51.37
<b>3 Usable slow / non moving and surplus stores and materials</b>	<b>246.95</b>	246.95
3.1 (Rs. nil are provided for . Previous year ₹. 15504 Thousand provided for.		
3.2 Adhoc payments to employees towards Wage/Salary, DA arrears, if any, pending adjustment & provision to this extent has been made in the accounts	<b>55.65</b>	55.65
<b>4 Balances under 'Trade Receivables' , 'Loans &amp; Advances', 'Trade Payables' are subject to confirmation, although confirmation has been sought in most of the cases.</b>		

\* \* \* \* \*

**NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS**

(₹ In lakhs)

Particulars	Year ended 31-03-2012	Year ended 31-03-2011
<b>P1 REVENUE FROM OPERATIONS*</b>		
Watches	6.84	8.93
Watches issued to employees and Others	0.01	0.03
Sundry jobs and miscellaneous sales	0.77	0.70
	<u>7.62</u>	<u>9.66</u>
<b>P2 OTHER INCOME</b>		
Recoveries from Staff/Others	-	0.04
Rent received	2.55	4.39
Interest Income		
Interest on Bank Deposits	22.38	15.45
Interest subsidy on Loan from HMT Ltd HC VRS Funds	-	9.67
Provisions no longer required withdrawn	4.32	7.25
Miscellaneous Income	0.72	0.26
	<u>29.97</u>	<u>37.06</u>
<b>P3 COST OF MATERIALS CONSUMED</b>		
Raw materials and Components		
Opening Stock	33.20	33.16
Purchases	-	0.07
	<u>33.20</u>	<u>33.23</u>
Less: Closing Stock	<u>33.20</u>	<u>33.20</u>
Cost of Raw Materials & Components consumed	-	0.03
Consumption of Stores, Spares, Tools & Pkg. Matls.*	0.11	0.10
	<u>0.11</u>	<u>0.13</u>
* Includes Stores and Spares parts for:		
Repairs to Machinery	-	-
Repairs to Building	-	-
<b>P4 CHANGES IN INVENTORIES OF FINISHED GOODS, WIP, SCRAP WORK IN PROGRESS</b>		
Closing Balance	235.84	235.84
Opening Balance	235.84	241.94
	<u>-</u>	<u>6.10</u>
<b>FINISHED GOODS</b>		
Closing Balance	525.96	472.75
Opening Balance	472.75	467.07
	<u>(53.21)</u>	<u>(5.68)</u>
<b>SCRAP</b>		
Closing Balance	2.58	2.58
Opening Balance	2.58	2.58
	<u>-</u>	<u>-</u>
	<u>(53.21)</u>	<u>(-0.42)</u>

**NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS**

(₹ In lakhs)

Particulars	Year ended 31-03-2012	Year ended 31-03-2011
<b>P5 EMPLOYEE BENEFIT EXPENSES *</b>		
Salaries, Wages and Bonus	287.53	292.69
House Rent Allowance	13.79	15.71
Gratuity	58.22	103.52
Contribution to PF & FPS	33.31	35.10
Contribution to ESI	-	-
Welfare Expenses	37.82	27.70
	<u>430.67</u>	<u>474.72</u>
* Includes		
Wages for repairs to machinery		
Wages for repairs to building	-	0.22
<b>P6 DEPRECIATION &amp; AMORTISATION</b>		
Depreciation	11.53	12.09
Amortisation of Intangible Assets	-	-
	<u>11.53</u>	<u>12.09</u>
<b>P7 OTHER EXPENSES</b>		
Power and Fuel		
Rent	0.55	1.87
Rates and Taxes	1.13	5.27
Excise Duty	4.98	0.22
Insurance	18.39	1.64
Water and Electricity	1.90	2.03
Printing and Stationery	6.12	5.02
Rebate on Sales	0.20	0.14
Security Charges	1.50	2.04
Auditors Remuneration #	0.83	1.11
Share of Common Expenses	0.39	0.64
Warranty claims	0.44	0.40
Technical assistance Fees	0.03	0.03
Travelling Expenses *	0.13	0.43
Miscellaneous Expenses **	2.82	2.15
	5.60	6.13
	<u>45.01</u>	<u>29.16</u>
#As Auditor		
For taxation matters	0.20	0.28
For other services	0.10	0.14
Reimbursement of expenses	-	
Service tax	0.09	0.22
Cost Audit Fee & expenses		

**NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS**

(₹ In lakhs)

Particulars	Year ended 31-03-2012	Year ended 31-03-2011
<b>P8 FINANCE COSTS</b>		
Interest Expense		
Loans from Government of India	<b>3647.61</b>	3346.10
Cash Credit Loans from Banks	-	0.29
Loan from HMT Ltd. Holding Company		
VRS	-	19.34
Others	<b>359.15</b>	359.83
Other Borrowing Cost		
Bank / Discounting Charges	<b>0.05</b>	0.22
	<u><b>4006.81</b></u>	<u>3725.78</u>
<b>P9 PRIOR PERIOD ADJUSTMENTS (PPA)</b>		
Expenditure		
Other Expenses	<b>0.54</b>	0.02
Less: Income		
Other Income	-	0.08
	<u><b>0.54</b></u>	<u>(0.06)</u>
<b>P10 EXCEPTIONAL ITEMS</b>		
VRS Compensation	<b>0</b>	345.00
	<u>-</u>	<u>345.00</u>

**NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS**

(₹ In lakhs)

Particulars	Year ended 31-03-2012	Year ended 31-03-2011
P11	ADDITIONAL INFORMATION TO STATEMENT OF PROFIT AND LOSS	
1	Sales is net off sales returns in respect of Watches - 30 Nos.	
	Excise	0.58
	Trade Discount	0
2	Employee Benefit expense include	
	- Provision for Earned Leave encashment made based on Actuarial valuation of Earned Leave at credit as at the year end.	
	0	3.43
	- Provision for Settlement Allowance made based on Actuarial Valuation	
	0.04	0
3	Gratuity has been provided for / paid under a Group Gratuity Policy with Life Insurance Corporation of India. Additional provision made during the year for full coverage ( based on salary at year end) in excess of ₹ 50,000/- per employee based on actuarial valuation by LIC.	
	58.21	100.28
4	Value of Special Tools individually costing less than ₹ 750 written off during the year.	
	0.01	0.01
5	Consumption of Raw materials and components	
	NIL	NIL
6	Work-in-Progress To disclose major product wise WIP as at the end of the year	
7	Stock in Trade has been increased during the year because of	
	a) Additional Provision of Excise due to increase in rates@ 2.30%	
	18.42	-
	b) Change in MRP of Watch Models	
	34.79	-
a	CIF value of imports	
	Raw Materials	
	NIL	NIL
	Components and Spare Parts	
	NIL	NIL
	Capital Goods	
	NIL	NIL
b	Expenditure in Foreign Currency (on accrual basis) on account of royalty, know-how, professional and consultation fees, interest, and other matters; (each of the above items shall be disclosed separately)	
c	Consumption of Raw materials, Components, Stores & Spare parts	
	Imported	
	NIL	NIL
	Indigenous	
	%	%
d	Earnings in Foreign Exchange	
	Exports	
	NIL	NIL
	Others	
	NIL	NIL

\* \* \* \* \*

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

(₹ In lakhs)

Particulars	Year ended 31-03-2012	Year ended 31-03-2011
<b>A. CASH FLOW FROM OPERATIONAL ACTIVITIES</b>		
Net Profit before tax and extra ordinary items.	-44.03	-45.40
Adjustments for:		
Depreciation	0.12	0.12
Interest debit (Net)	40.00	37.00
Deferred Revenue Expenditure (Net)		
Provision for obsolescence, Doubtful Debts, Advances and investments etc.	0.00	0.00
Operating Profit before working Capital charge	<u>-3.91</u>	<u>-8.28</u>
Adjustments for:-		
Increase / Decrease Trade & other Receivables	-3.05	3.23
Increase / Decrease in Inventories	0.53	0.02
Increase / Decrease in Trade Payables.	0.01	0.11
TOTAL	<u>-2.51</u>	<u>3.36</u>
Cash Generated from Operations	-6.42	-4.92
Direct Tax Paid	0.00	0.00
Cash flow Before Extra-ordinary items	<u>-6.42</u>	<u>-4.92</u>
Extra-Ordinary items	0.00	0.00
NET CASH FROM OPERATING ACTIVITIES	<u>-6.42</u>	<u>-4.92</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets		
Purchase of Investments		
NET CASH USED IN INVESTING ACTIVITIES	0.00	0.00
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Share application receipts.		0
Proceeds from long term/short terms borrowings	9.32	7.19
Interest Paid	-3.59	-3.59
Interest received	0.22	0.25
NET CASH FLOW USED IN FINANCING ACTIVITIES	<u>5.95</u>	<u>3.65</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>-0.47</u>	<u>-1.27</u>
	<u>-0.47</u>	<u>-1.27</u>
CASH AND CASH EQUIVALENTS AS AT 1ST APRIL (OPENING BALANCE)	2.77	4.04
CASH AND CASH EQUIVALENTS AS AT 31ST MARCH (CLOSING BALANCE)	<u>2.30</u>	<u>2.77</u>

For and on behalf of the Board

 As per our Report of even date  
**FOR VIPEN SEHT & ASSOCIATES**  
 Chartered Accountants

**S. G. Sridhar**  
 Chairman

**S. Paulraj**  
 Managing Director

**Vipen Seht**  
 Proprietor  
 M.No. 84933

 Place : Jammu  
 Date : 14-07-2012

**FIXED ASSETS SCHEDULE AS AT 31-03-2012**

Sl. No	PARTICULARS	Gross Block 1.4.2011	Additions	Adjustments /Transfers	Gross Block as at 31.03.2012	Depreciation UP TO 31.03.2011	Dep During the year	Total Dep upto 31-03-2012	Net Block as at 31-03-2012	Net Block as at 31-03-2011
1	Leasehold									
2	Factory Building	94.73	0.00	0.00	94.73	89.32	0.46	89.78	4.95	5.41
3	General Building	162.28	0.00	0.00	162.28	91.96	2.37	94.33	67.95	70.32
4	Roads, Walls and Fences	12.79	0.00	0.00	12.79	10.25	0.13	10.38	2.41	2.54
5	Electric Installation	50.53	0.00	0.00	50.53	34.96	1.04	36.00	14.53	15.58
6	Plant & Machinery	693.55	0.00	0.00	693.55	616.51	4.49	621.00	72.54	77.03
7	A/C Ventilation & Lifts	41.94	0.00	0.00	41.94	37.98	0.37	38.35	3.59	3.96
8	Factory Equipments	55.18	0.00	0.00	55.18	47.54	0.68	48.22	6.96	7.64
9	Computer & Data Processing Equipments	14.17	0.00	0.00	14.17	13.64	0.41	14.05	0.12	0.53
10	Furniture, Fixture & Office Appliances	28.56	0.00	0.00	28.56	25.19	0.34	25.53	3.03	3.37
11	Measuring & Other Equipments	38.65	0.00	0.00	38.65	37.00	0.17	37.18	1.47	1.65
12	Transport Vehicles	23.69	0.00	0.00	23.69	14.59	1.07	15.66	8.03	9.10
	<b>TOTAL</b>	<b>1216.07</b>	<b>0.00</b>	<b>0.00</b>	<b>1216.07</b>	<b>1018.94</b>	<b>11.53</b>	<b>1030.48</b>	<b>185.58</b>	<b>197.13</b>
	<b>PREVIOUS YEAR</b>	<b>1216.05</b>	<b>0.02</b>	<b>0.0</b>	<b>1216.07</b>	<b>1006.87</b>	<b>12.09</b>	<b>1018.94</b>	<b>197.13</b>	<b>209.18</b>

Land is leased from Government of J &amp; K..



DISCLOSURES OF PROVISIONS UNDER AS - 29

(₹ In lakhs)

NATURE OF PROVISION	Opening Balance 01-04-2011	Additions made during 2011-12	Used during the year		Closing Balance 31-03-2012
			utilized	withdrawn	
Provision for Gratuity	496.68	58.21	2.49	0	552.40
Provision Others					
a) Wage/Salary revision arrears	62.70	0.11	0	0	62.81
b) Earned Leave Encashment	57.76	0.04	4.10	4.32	49.34
c) Settlement Allowance	16.54		0.46	0	16.12
d) Warranty Claims	0.21		0.18		0.03
e) Others	3.84		0.07		3.77
<b>Total</b>	<b>141.05</b>	<b>0.15</b>	<b>4.81</b>	<b>4.32</b>	<b>132.07</b>
<b>Grand Total</b>	<b>637.73</b>	<b>58.36</b>	<b>7.3</b>	<b>4.32</b>	<b>684.47</b>

\* \* \* \* \*

**REPORT OF AS - 15 (REVISED 2005) AS ON 31.03.2012 IN RESPECT OF GGCA SCHEME OF  
HMT CHINAR WATCHES LIMITED MASTER POLICY NO: 35184**

(₹ In lakhs)

Particulars	2011-12	2010-11
<b>ASSUMPTIONS</b>		
<b>DISCOUNT RATE</b>	<b>8%</b>	<b>8%</b>
<b>SALARY ESCALATION</b>	<b>7%</b>	<b>7%</b>
<b>1 Table showing changes in present value of obligations as on 31.03.2012</b>		
Present value of obligation as at beginning of year	<b>36.98</b>	49.08
Interest cost	<b>2.96</b>	3.93
Current Service Cost	<b>0.10</b>	0.14
Benefits Paid	<b>3.50</b>	13.00
Actuarial (gain)/loss on obligations	<b>2.90</b>	(3.16)
Present value of obligation as at end of year	<b>39.44</b>	36.98
<b>2 Table showing changes in the fair value of obligations as on 31.03.2012</b>		
Fair value of plan assets of beginning of year	<b>113.30</b>	115.55
Expected return on plan assets	<b>10.63</b>	10.75
Contributions	<b>0.00</b>	0.00
Benefits paid	<b>3.50</b>	13.00
Actual Gain / (Loss) on Plan assets	-	-
Fair value of plan assets at the end of year	<b>120.43</b>	113.30
<b>3 Table showing changes in the fair value of plan assets</b>		
Fair value of plan assets at beginning of year	<b>113.30</b>	115.55
Actual return on plan assets	<b>10.63</b>	10.75
Contributions	<b>0.00</b>	0.00
Benefits Paid	<b>3.50</b>	13.00
Fair value of plan assets at the end of year	<b>120.43</b>	113.30
Funded status	<b>80.99</b>	(76.32)
<b>4 Actuarial Gain for the year - Obligation</b>		
Actuarial gain/(loss) for the year - Obligation	<b>(2.90)</b>	3.16
Actuarial gain/(loss) for the year - plan assets	-	-
Total (gain)/loss for the year	<b>2.90</b>	(3.16)
Actuarial gain/(loss) recognised in the year	<b>(2.90)</b>	3.16
<b>5 Amounts recognised in the Balance Sheet and Profit &amp; Loss A/c</b>		
Present value of obligations as at the end of the year	<b>39.44</b>	36.98
Fair Value of plan assets as at the end of the year	<b>120.43</b>	113.30
Funded Status	<b>80.99</b>	(76.32)
Net Asset/(liability) recognised in balance sheet	<b>80.99</b>	76.32
<b>6 Expenses Recognised in statement of Profit &amp; Loss Account</b>		
Current Service Cost	<b>0.10</b>	0.14
Interest Cost	<b>2.96</b>	3.93
Expected return on plan assets	<b>10.63</b>	10.75
Net Actuarial (gain)/loss recognised in the year	<b>(2.90)</b>	(3.16)
Expenses recognised in statement of Profit & Loss	<b>(4.67)</b>	(9.84)