



45th Annual Report  
1997 - 98

**HMT LIMITED**

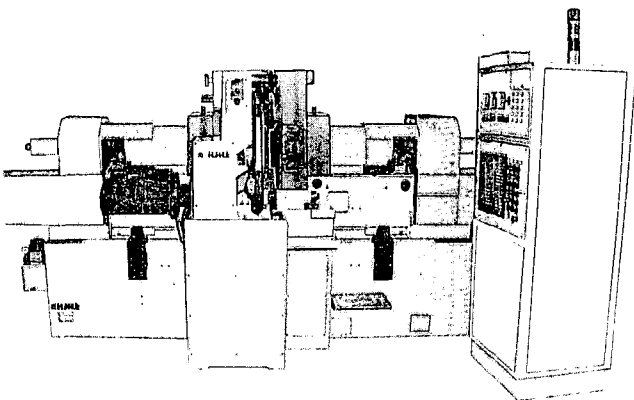


*'India is Proud of HMT' Shri. Sukhbir Singh Badal,  
Hon'ble Union Minister of State for Industry  
during his visit to HMT*



*Shri N. Ramanuja, CMD,  
at the inauguration of IMTEX - 98*

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*CNC Double Disk Grinder GDS 22 - Recipient of CMTI-PMT  
Trust Award for most innovative design in metalworking  
machine tools at IMTEX - 98.*



*The new range of HMT - Tennmax Watches*





# HMT LIMITED

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## BOARD OF DIRECTORS

### Shri N. Ramanuja

Chairman & Managing Director

### Shri Ajai Vikram Singh

Director

### Shri Ajoy Acharya

Director

### Shri J. Narayana Murthy

Director (IDBI Nominee)

### Shri K.G. Vassal

Director (UTI Nominee)

### Shri R.K. Chavali

Director (IFCI Nominee)

### Shri K.S. Jagannathan

Director, Finance

### Shri R.A. Sharma

Director, Personnel

### Shri H.K. Samadani

Director, Machine Tools

## EXECUTIVE COMMITTEE

### Shri N. Ramanuja

Chairman & Managing Director

### Shri K.S. Jagannathan

Director, Finance

### Shri R.A. Sharma

Director, Personnel

### Shri H.K. Samadani

Director, Machine Tools

### Shri A.K. Babbar,

Executive Director, Tractor Group

### Shri H.S. Sanga

Executive Director

Engineering Components Group

### Shri K. Srinivasan

Executive Director, Vigilance

### Shri C. Narayan

Group General Manager  
Industrial Machinery Group

### Shri S. Siddalingaswamy

Group General Manager  
Watch Group

### Shri S.K. Welling

General Manager (Corporate Planning)

## COMPANY SECRETARY

Shri U. Jagadish Nayak

## STATUTORY AUDITORS

M/s. Brahmayya & Co.

Chartered Accountants

Bangalore

## BANKERS

Andhra Bank

Bank of Baroda

Canara Bank

Central Bank of India

Dena Bank

Punjab National Bank

State Bank of Hyderabad

State Bank of India

State Bank of Mysore

State Bank of Travancore

The Federal Bank Ltd.

The Karnataka State

Co-operative Apex Bank Ltd.

UCO Bank

## REGISTERED OFFICE & CORPORATE OFFICE

"HMT Bhavan"

59, Bellary Road

Bangalore 560 032



## PERFORMANCE HIGHLIGHTS

	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89
(Rs. in Lakhs)										
<b>OPERATING STATISTICS</b>										
Sales	95913	95679	85818	74959	63254	73367	86450	75998	65583	56769
Other Income	6789	8301	4965	3170	3895	2844	1975	3310	2423	2449
Materials	45667	47321	41792	36756	34833	37684	43129	39987	33418	29899
Employee Costs	28767	29454	25041	20488	19746	19280	17753	17066	15274	12929
Other Operating Costs	20923	19863	18168	16147	15850	16594	19298	16344	14082	10908
Depreciation	1479	1624	1697	2417	2761	2899	2596	2164	1835	1916
Earnings before Interest & Tax	5744	6600	2349	(225)	(3765)	5241	9036	5575	4385	4397
Interest	8138	8478	7938	7695	8259	6494	5221	4017	3804	3782
Earnings/(Loss) Before Tax	(2394)	(1878)	(5589)	(7920)	(12024)	(1253)	3815	1558	581	615
Taxation (Net of Provisions Withdrawn/refunds)	520	—	—	—	(98)	(1525)	1207	144	100	150
Net Earnings	(2914)	(1878)	(5589)	(7920)	(11926)	272	2608	1414	481	465
<b>FINANCIAL POSITION</b>										
Net Fixed Assets	13647	14128	15354	16814	18326	19564	18092	16177	14092	14166
Current Assets	83365	75445	69402	66024	70178	81291	69609	59534	53836	44054
Current Liabilities & Provisions	46214	40121	34767	27814	26926	27529	28416	22857	22615	15218
Working Capital	37151	35324	34635	38210	43252	53762	41193	36677	31221	28836
Capital Employed	50798	49452	49989	55024	61578	73326	59285	52854	45313	43002
Investments	1743	1719	1643	1591	1576	1585	1429	1548	1137	965
Miscellaneous Expenditure	75	207	424	642	568	909	602	701	682	696
Borrowings	50475	48683	48010	48387	47062	47271	33078	29873	23605	23685
Net Worth	2066	2488	3622	8228	16092	27640	27636	24529	22845	20282
<b>OTHER STATISTICS</b>										
Capital Expenditure	704	253	136	809	1465	4360	4470	4223	1694	753
Internal Resources Generated	(915)	(254)	(3892)	(5503)	(9165)	3171	4683	3355	2316	2381
Working Capital Turnover Ratio	2.59	2.74	2.44	1.91	1.52	1.48	2.19	2.16	2.15	2.02
Current Ratio	1.80	1.88	2.00	2.37	2.61	2.96	2.45	2.60	2.38	2.89
Return on Capital (%)	11.46	13.27	4.47	(0.39)	(5.55)	7.90	16.12	11.36	9.93	10.19
Employees (Nos)	20463	21850	22794	23857	24919	26859	27615	28349	28592	28856
Per Capita Sales	4.69	4.38	3.76	3.14	2.54	2.73	3.13	2.71	2.29	1.97



## SOURCES AND UTILISATION OF FUNDS

	1997-98	1996-97	1995-96	1994-95	1993-94
	(Rs. in Lakhs)				
<b>SOURCES</b>					
<b>Internal Generation :</b>					
Net Profit/(Loss) (After Interest prior to Tax)	(2394)	(1,878)	(5589)	(7920)	(12024)
Tax (net of Provisions withdrawn/refunds)	520	—	—	—	(98)
	(2914)	(1878)	(5589)	(7920)	(11926)
Add: Depreciation	1479	1624	1697	2417	2761
Provisions Withdrawn/Adjusted	(294)	(145)	(101)	33	(21)
	(1729)	(399)	(3993)	(5470)	(9186)
<b>External Generation:</b>					
Equity	800	527	765	—	—
Capital Suspense	1560	—	—	—	—
Term Loans	55	1775	—	417	1634
Fixed Deposits	—	—	994	445	3894
Inter Corporate Loans	—	—	936	7402	13707
Bonds	163	—	354	10010	—
Deferred Credits	—	—	32	71	118
Government Loans	—	450	388	—	—
Others	3,268	2369	1963	866	735
	5,846	5121	5432	19211	20088
<b>Total Sources</b>	<b>4,117</b>	<b>4722</b>	<b>1439</b>	<b>13741</b>	<b>10902</b>
<b>UTILISATION</b>					
<b>Repayment of Loans</b>					
Debentures	—	—	—	1666	—
Term Loans	346	1359	1835	1449	2075
Fixed Deposits	105	2494	2249	2317	3724
Inter Corporate Loans	207	789	2213	11485	12901
Bonds	519	—	—	—	—
Government Loans	760	78	146	—	—
Deferred Credits	117	109	—	102	96
	2054	4829	6443	17019	18796
Capital Expenditure	704	253	136	809	1465
Investments	24	76	52	15	(9)
Miscellaneous Expenditure	(132)	(217)	(218)	74	(341)
	596	112	(30)	898	1115
Add/(Less) :					
<b>Working Capital Movement</b>	<b>1827</b>	<b>658</b>	<b>(3575)</b>	<b>(5042)</b>	<b>(9720)</b>
<b>Total Utilisation</b>	<b>4477</b>	<b>5599</b>	<b>2838</b>	<b>12875</b>	<b>10191</b>
<b>Net Surplus/(Deficit)</b>	<b>(360)</b>	<b>(877)</b>	<b>(1399)</b>	<b>866</b>	<b>711</b>
<b>Represented by:</b>					
Increase/(Decrease) in Bank Finance	360	877	1399	(866)	(711)



## FIGURES AT A GLANCE

	1997-98		1996-97	
			(Rs. in lakhs)	
<b>BALANCE SHEET</b>				
<b>What the Company owned</b>				
Fixed Assets		50,703		49,999
Less : Depreciation		37,056		35,871
Net Fixed Assets		13,647		14,128
Investments		1,743		1,719
Current Assets	83,365		75,445	
Less : Current Liabilities	46,214	37,151	40,121	35,324
Miscellaneous Expenditure		75		207
Profit and Loss Account		10,284		7,370
		62,900		58,748
Less :				
<b>What the company owed</b>				
Bonds	16,684		15,521	
Banks/Financial Institutions	25,034		23,804	
Fixed Deposits/Inter Corporate Loans	2,999		3,249	
Debentures	5,626		5,126	
Government Loans	25		760	
Deferred Credits	107		223	
		50,475		48,683
		12,425		10,065
<b>Shareholders' Equity Represented by:</b>				
Share Capital		10,865		10,065
Capital Suspense		1,560		—
Reserves		—		—
		12,425		10,065
<b>PROFIT AND LOSS ACCOUNT</b>				
<b>What the Company Earned</b>				
Sales Revenue		95,913		95,679
Other Income		6,789		8,301
Stock Accretion/(Decretion)		(122)		882
		1,02,580		1,04,862
Less :				
<b>What the Company spent</b>				
Materials	45,667		47,321	
Employee Cost	28,767		29,454	
Depreciation	1,479		1,624	
Other Expenses	20,923		19,863	
Interest	8138	1,04,947	8,478	1,06,740
Net Profit/(Loss) before Tax		(2,394)		(1,878)
Income Tax		520		—
Net Profit/(Loss) after Tax		(2,914)		(1,878)



## DIRECTORS' REPORT

Your Directors are pleased to present their 45th Annual Report together with the audited accounts of the Company for the year ended March 31, 1998, Report of the Statutory Auditors and the comments thereon as well as the Review of Accounts by the Comptroller and Auditor General of India.

### CORPORATE HIGHLIGHTS

#### Production and Sales

The performance of your Company during the Financial Year 1997-98 has been quite heartening despite the economic recession prevailed during the year and the intense competition faced by almost all the products of your Company. Infact there was a marginal growth in terms of sales during the year which resulted in a higher sales turnover of Rs.959.13 Crore as compared to Rs.956.79 Crore for the previous year. The production performance was more or less stagnant at the level of Rs.981.39 Crore as compared to Rs.993.40 Crore achieved in the previous year.

The Business Group-wise performance was as follows:

#### Machine Tools

The Machine Tool Business Group could achieve a turnover of Rs.277.50 Crore as against the turnover of Rs.309.32 Crore during the previous year showing a 10% decline. The production performance of this Group was at a level of Rs.306.01 Crore as against Rs.330.53 Crore achieved in the previous year. This decline was mainly on account of the slowdown in the Indian economy coupled with stiff competition from imported machines. However, the performance of the Group was better when compared to Industry's negative growth during the year. This achievement was possible due to the around efforts of the Group especially by way of aggressive marketing, product upgradation and better customer service. Despite the decline in turnover and production, the Group has recorded higher profitability as a result of continuous improvement in the areas of borrowings, reduction in personnel cost and reduction in inventory levels.

#### Tractors

The Tractor Business Group continued to achieve higher turnover with sales aggregating to 19276 tractors and production of 19501 tractors compared to the sale and production of 19018 tractors and 19001 tractors respectively in the previous year. In terms of value, the

turnover reached a level of Rs.445.01 Crore and the production jumped to Rs.427.30 Crore registering a growth of 9% over the previous year. The profitability of this Group also showed a significant improvement during the year over that of the previous year. During the year, this Group launched a 45 HP Coastal Special model tractor for application in coastal areas on commercial basis. A 59 HP model tractor with Power Steering was also launched during the year. Orchard Special model tractor in 25 HP range was developed and is under test marketing. New 75 HP model is set to be launched on commercial basis during the year 1998-99.

#### Watches

The performance of the Watch Group showed a marginal improvement during the year as compared to the previous year. The Group, however, continued to operate at lower levels and reduced capacity utilisations. The increasing competition from new brands of watches continues to contribute to the increased pressure on the sale of Watches. The Group achieved a turnover of Rs.179.01 Crore as against Rs.177.04 Crore achieved in the previous year, showing a marginal increase. The production for the year was lower at Rs.190.30 Crore compared to Rs.207.63 Crore achieved in 1996-97.

#### Industrial Machinery

In line with the general recession in the economy, the Industrial Machinery Group of your Company also recorded a marginally lower turnover of Rs.57.47 Crore during the year as compared to Rs.59.94 Crore achieved in 1996-97. The production was also at a lower level of Rs.57.78 Crore during the year as against Rs.61.71 Crore during the previous year. Due to market constraints for some of the products of this Group, the off-take was poor resulting in the lower turnover. However, the order forecast in current year, especially in the Press Division at Hyderabad, Printing Machinery at Kalamassery and Die Casting Division at Bangalore is encouraging.

The operations at the Lamp Division continues to be under suspension and efforts are made to further reduce the manpower to absolute minimum through deployment to other units and Voluntary Retirement in order to reduce the cost further. Due to the poor response from the potential parties for either a Joint Venture or for taking over the Unit, it has been decided not to process





the proposal for conversion of Lamp Division into a separate wholly owned Subsidiary Company. Alternatively, action has been initiated for disposal of some of the plant and machinery at the Unit so as to discharge some of the accumulated liabilities of the Unit.

### Operating Results

The operations of the Company during the year, resulted in a net loss before Income Tax of Rs.23.94 Crore as compared to the loss of Rs.18.78 Crore incurred during 1996-97 in spite of competitive markets and other constraints. The Financial Highlights are as follows:

### Financial Highlights

(Rs. in lakhs)

	1997-98	1996-97
Gross Profit	7223	8224
Depreciation	1479	1624
Interest	8138	8478
Net Profit/(Loss) before tax	(2394)	(1878)
Income Tax (pertaining to earlier years)	520	—
Net Profit/(Loss) after tax	(2914)	(1878)
Reserves withdrawn	—	300
Balance carried to Balance Sheet	(2914)	(1578)

In view of the losses incurred, your Directors are not in a position to recommend any Dividend for the year 1997-98 on the Equity Share Capital. No appropriation towards Bonds Redemption Reserve has been made as required under the Bonds issue guidelines. The Company received a grant of Rs. 25.50 crore, during the year 1997-98 from Government of India out of the National Renewal Fund for implementation of Voluntary Retirement Scheme. The Company also received Rs.5 Crore by way of grant from the Government of India to compensate for the losses incurred for the operations of Watch Factory, Srinagar. For the year 1997-98, the Government sanctioned a budgetary support of Rs.18.50 Crore i.e. Rs. 9.25 Crore as equity and Rs.9.25 Crore in the form of loans to meet the Capital expenditure, out of which an

amount of Rs.16 Crore has been received during the year 1997-98. With the receipt of these equity funds, the issued, Subscribed and Paid-up Equity Share Capital of the Company has increased from Rs.100,64,51,650 to Rs.108,64,51,650 as on March 31, 1998. The balance amount of Rs. 2.50 Crore i.e. Rs. 1.25 Crore Equity and Rs. 1.25 Crore loan has been received during the current year, 1998-99. Your Company has taken into account an amount of Rs. 15.60 Crore (Rs. 7.60 Crore existing loan and Rs. 8.00 Crore received during the year) towards conversion of Government Loan into equity pending approval of the Government which is shown as Capital Suspense in the Balance Sheet.

With a view to raising resources to discharge certain pressing obligations to the various lenders, your Company sold an aggregate area of 15.16 acres of land out of a portion of the surplus land at a total consideration of Rs. 17.97 Crore. During the year, your Company also sold certain surplus land at the Corporate Office premises at Bangalore and one floor of Corporate Office Building to HMT (International) Ltd., the Subsidiary, at an aggregate value of Rs. 13.86 Crore in settlement of certain dues by the Company to the Subsidiary, and an amount of Rs. 0.82 Crore is receivable by the Company, after adjusting the said dues.

### Fixed Deposits

At the end of the financial year 1997-98, fixed deposits accepted from the public, other bodies and the employees, stood at Rs. 24.79 Crore, which included unclaimed/unpaid deposits to the extent of Rs. 4.42 Crore. The Company is making efforts to reduce the outstanding deposits under the Scheme by repayment on maturity so as to ultimately close the Fixed Deposit Scheme. Towards this direction, certain exemptions have also been sought from the Central Government from the provisions of the Companies (Acceptance of Deposits) Rules, 1975, in terms of Sub-Section (8) of Section 58A of the Companies Act, 1956.

### Future Outlook :

To meet the challenges of operating in a growing



competitive environment, the Company has formulated a turnaround plan highlighting strategies and action plans for future growth. This turnaround plan envisages conversion of Business Groups into Subsidiary Companies, closure of some of the unviable Units coupled with financial restructuring by obtaining financial assistance from Government and concessions from debt holders. Efforts are also being made to locate Joint Venture partners and technical partners in order to create technical levels in the respective areas. The Company has sought budgetary support from Government for capital investment during the current year 1998-99 to the extent of Rs.23 Crore.

In the Machine Tools, several new products have been developed and exclusive Project Marketing Groups formed to develop business in the growth sectors. Reconditioning of Machine Tools and job orders have been given additional thrust. Strategic alliances have been planned with global players to offer cost effective High tech machines in the domestic market.

The Watch Group is poised for enhanced performance levels with the rationalisation and positioning of the products predominantly in low and middle price segments. New brands have been developed and trade channels revitalised.

The modernisation cum expansion plan for the Tractor Division has been chalked out involving a capital outlay of Rs.110 Crore. Production capacity of the Tractor Division will be increased to 30,000 Tractors in the next two years. The Company has already commenced implementation of these expansion plans.

## **SUBSIDIARY COMPANIES**

### **HMT (International) Limited**

The Subsidiary exported goods and technical services amounting to Rs.49.39 Crore during 1997-98 as compared to Rs.46.16 Crore in the previous year and registered a pre-tax profit of Rs.0.49 Crore as compared to Rs.0.08 Crore in 1997-98. The thrust on export of Machine Tools, Watches and Tractors was maintained and is expected to yield better results in the current year. Considerable progress has also been made in export of commodities and software services. To boost Subsidiary strengths in the field of Software exports, the Company's Computer Systems Division was brought under the administrative control of the

Subsidiary. The Subsidiary has already successfully implemented Software application packages in U.A.E.

### **HMT Bearings Limited**

This Subsidiary achieved a turnover of Rs.41.07 Crore during the year as against a turnover of Rs.43.97 Crore recorded during 1996-97. The achievement in terms of production was at the level of Rs.40.71 Crore as compared to Rs.46.74 Crore achieved in the previous year. The Subsidiary recorded a marginally higher net profit of Rs.4.78 Crore as against Rs.4.36 Crore incurred in the previous year. The Subsidiary has also declared a dividend of 15% for the year which is the same as that of the previous year.

### **Praga Tools Limited**

The Subsidiary achieved a turnover of Rs.10.10 Crore during the year against a turnover of Rs. 3.93 Crore recorded during 1996-97. The achievement in terms of production was at the level of Rs.13.63 Crore as compared to Rs. 3.72 Crore achieved in the previous year. The lower production and turnover during the year 1997-98 had resulted in a net loss of Rs.36.89 Crore. The entire networth of the Subsidiary has been eroded and a reference is being made by the Subsidiary to BIFR as a 'Sick Company' under the Sick Industrial Companies (Special Provisions) Act, 1985. (The figures for the year 1997-98 are subject to review by C & AG).

With regard to Gujarat State Machine Tools Corporation Limited (GSMTC), Bhavnagar, one of the Associate Companies, winding up orders have been issued by BIFR under the Sick Industrial Companies (Special Provisions) Act, 1985, in view of the failure of the sanctioned Revival Scheme. The matter is under the consideration of the Gujarat High Court for issue of further Orders.

### **Auditors**

M/s.Brahmayya & Company, Chartered Accountants, were appointed as Statutory Auditors of the Company for the year 1997-98. Twenty firms of Chartered Accountants were also appointed as Branch Auditors for the various Units/Divisions of the Company. Cost Auditors have also been appointed for the year 1997-98 in respect of 'Tractors'.

Replies to the observations by the Auditors in their Report is given by way of an addendum to this report.