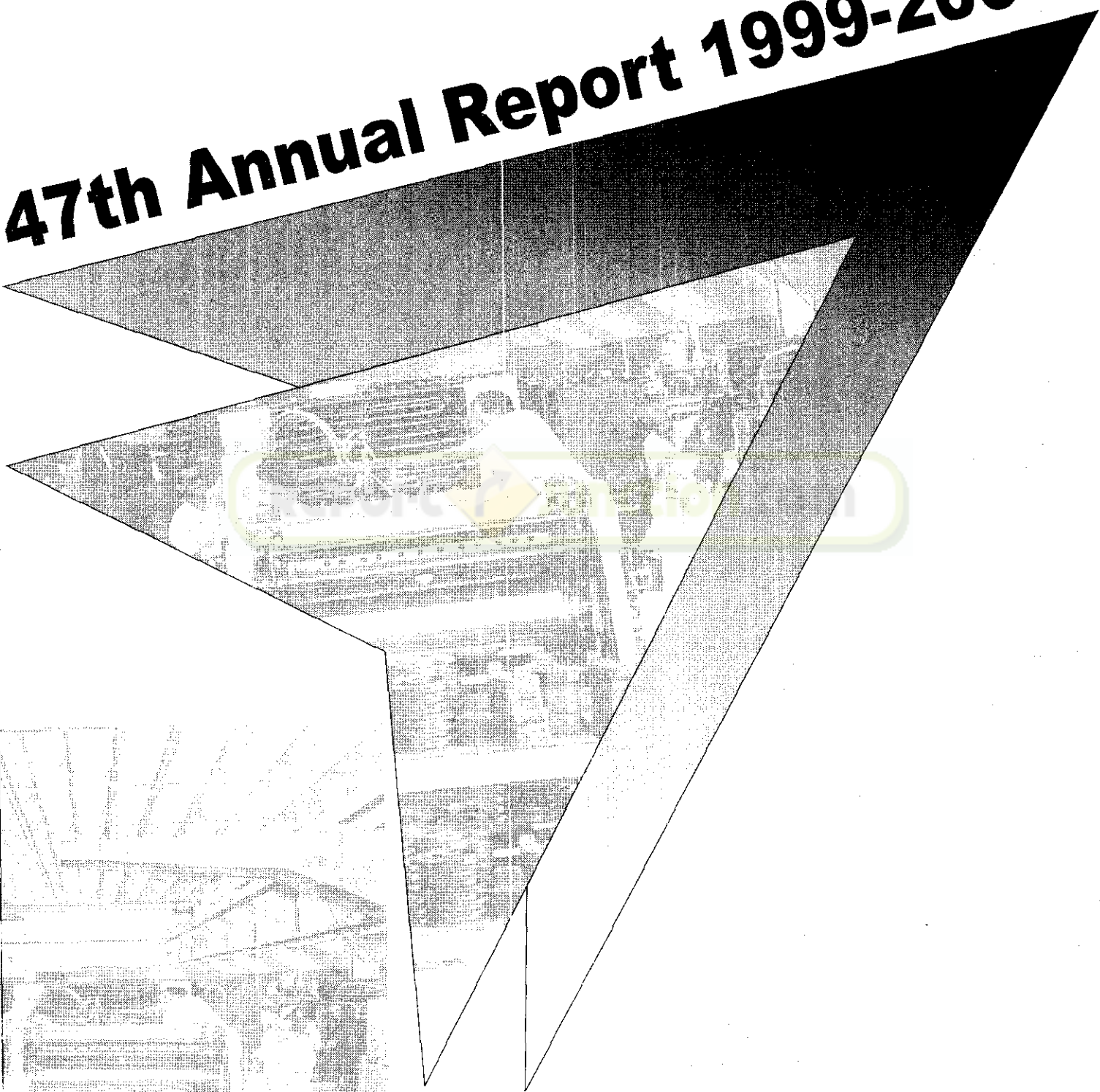


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47th Annual Report 1999-2000



HMT LIMITED
HMT BHAVAN, 59, BELLARY ROAD
BANGALORE 560 032. INDIA.



HMT LIMITED

NOTICE

Notice is hereby given that Fortyseventh Annual General Meeting of HMT Limited will be held on Friday, December 22, 2000, at 4.00 P.M. at the Registered Office of the Company at No.59, Bellary Road, Bangalore – 560 032, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at and Profit and Loss Account for the year ended March 31, 2000, and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Ajoy Acharya who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri R.A. Sharma who retires by rotation and being eligible offers himself for reappointment.

SPECIAL BUSINESS:

1. To consider and if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to Section 255 and 257 of the Companies Act, 1956, Shri M.S. Zahed who was appointed as Director – Marketing Policy, Corporate Planning & Projects (MPCPP) of the Company with effect from May 5, 2000 and being Additional Director holds Office up to the date of the Fortyseventh Annual General Meeting of the Company as per Article 67(D) of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company.”

By order of the Board of Directors

Place: Bangalore
Date : November 28, 2000

(U. Jagadish Nayak)
Company Secretary

Registered Office:

HMT Bhavan,
No.59, Bellary Road,
Bangalore – 560 032.

1. The Members of the Company
2. Statutory Auditors

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the items set out in the notice is annexed hereto.
3. The Share Transfer Books and Register of Members of the Company shall remain closed from December 15, 2000 to December 22, 2000 (both days inclusive).
4. Members/proxies should bring the attendance slip duly filled in for attending the meeting.

**EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2)
OF THE COMPANIES ACT, 1956.****Item No.1**

Shri M.S. Zahed, Executive Director, was appointed by the President of India as Director – Marketing Policy, Corporate Planning and Projects (MPCPP) of the Company, vide Order No.5/33/99-PE.X dated May 5, 2000, for a period of five years or the date of his superannuation, whichever is earlier with effect from the date he assumes charge. Shri M.S. Zahed assumed charge of the post on May 5, 2000.

As per the provisions of Article 67(D) of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956, Shri M.S. Zahed's appointment is considered as an Additional Director and he would hold office as Director only upto the date of the Fortyseventh Annual General Meeting of the Company. Accordingly and in terms of his appointment, Shri M.S. Zahed is proposed for appointment as a Director in terms of Section 255 read with Section 257 of the Companies Act, 1956, for which a notice has been received from a Shareholder.

Copy of the relevant document(s) are available for inspection by the members during business hours on any working day, at the Registered Office of the Company.

Shri M.S. Zahed is considered as interested in the resolution being the subject of his appointment as Director. None of the other Directors is concerned or interested in the resolution.

By order of the Board of Directors

Place: Bangalore
Date : November 28, 2000

(U. Jagadish Nayak)
Company Secretary

Registered Office:

HMT Bhavan,
No.59, Bellary Road,
Bangalore – 560 032.

HMT LIMITED

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BOARD OF DIRECTORS**Shri N. Ramanuja**

Chairman & Managing Director

Shri K.K. Jaswal

Director

Shri Ajoy Acharya

Director

Shri K.S. Jagannathan

Director, Finance

Shri R.A. Sharma

Director, Personnel

Shri H.K. Samadani

Director, Machine Tools

Shri M.S. Zahed

Director, Marketing Policy,

Corporate Planning & Projects

EXECUTIVE DIRECTORS**Shri H.S. Sanga**Executive Director,
Engineering Components Group**Shri K. Srinivasan**

Chief Vigilance Officer

Shri S. Siddalingaswamy

Executive Director, Watches

Shri C.J. AnejaExecutive Director,
Inter-Unit Resource Utilisation**Shri S.K. Chaturvedi**

Executive Director, Machine Tools

Shri K.V. Ramanamurty

Executive Director, Finance

Shri C.N. Dhar

Executive Director, Pinjore

COMPANY SECRETARY**Shri U. Jagadish Nayak****STATUTORY AUDITORS****M/s. D. Rangaswamy & Co.**

Chartered Accountants

Chennai

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 of Bank of Travancore

The Federal Bank Limited

The Karnataka State Co-operative Apex Bank
Limited

UCO Bank

**REGISTERED & CORPORATE
OFFICE**"HMT Bhavan",
59, Bellary Road,
Bangalore 560 032

PERFORMANCE HIGHLIGHTS

	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91
	(Rs. in Lakh)									
OPERATING STATISTICS										
Sales	75238	87422	95436	95679	85818	74959	63254	73367	86450	75998
Other Income	3342	4186	7266	8301	4965	3170	3895	2844	1975	3310
Materials	38647	41858	45667	47321	41792	36756	34833	37684	43129	39987
Employee Costs	30667	29261	28767	29454	25041	20488	19746	19280	17753	17066
Other Operating Costs	32119	21172	20923	19863	18168	16147	15850	16594	19298	16344
Depreciation	1507	1463	1479	1624	1697	2417	2761	2899	2596	2164
Earnings before Interest & Tax	(21382)	(3287)	5744	6600	2349	(255)	(3765)	5241	9036	5575
Interest	8309	370	8138	8478	7938	7695	8259	6494	5221	4017
Earnings / (Loss) Before Tax	(29691)	(3657)	(2394)	(1878)	(5589)	(7920)	(12024)	(1253)	3815	1558
Taxation (Net of Provisions withdrawn / refunds)	-	20	520	-	-	-	(98)	(1525)	1207	144
Net Earnings	(29691)	(3677)	(2914)	(1878)	(5589)	(7920)	(11926)	272	2608	1414
FINANCIAL POSITION										
Net Fixed Assets	13541	14122	13647	14128	15354	16814	18326	19564	18092	16177
Current Assets	83874	91914	83365	75445	69402	66024	70178	81291	69609	59534
Current Liabilities & Provisions	69246	55222	46214	40121	34767	27814	26926	27529	28416	22857
Working Capital	14628	36692	37151	35324	34635	38210	43252	53762	41193	36677
Capital Employed	28169	50814	50798	49452	49989	55024	61578	73326	59285	52854
Investments	2790	1768	1743	1719	1643	1591	1576	1585	1429	1548
Miscellaneous Expenditure	34	15	75	207	424	642	568	909	602	701
Borrowings	55467	50172	50475	48683	48010	48347	47062	47271	33078	29873
Net Worth	(24508)	2410	2066	2488	3622	8228	16092	27640	27636	24529
OTHER STATISTICS										
Capital expenditure	378	1007	704	253	136	809	1465	4360	4470	4223
Internal Resources Generated	(28184)	(2214)	(1435)	(254)	(3892)	(5503)	(9165)	3171	4683	3355
Working Capital Turnover Ratio	2.79	2.36	2.58	2.74	2.44	1.91	1.52	1.48	2.19	2.16
Current Ratio	1.21	1.66	1.80	1.88	2.00	2.37	2.61	2.96	2.45	2.60
Return on Capital (%)	(54.14)	(6.47)	11.46	13.27	4.47	(0.39)	(5.55)	7.90	16.12	11.36
Employees (Nos)	18395	19387	20463	21850	22794	23857	24919	26859	27615	28349
Per Capita Sales	4.09	4.51	4.66	4.38	3.76	3.14	2.54	2.73	3.13	2.71

SOURCES AND UTILISATION OF FUNDS

	1999-2000	1998-99	1997-98	1996-97	1995-96
SOURCES (Rs. in lakhs)					
Internal Generation :					
Net Profit / (Loss) (after interest prior to tax)	(29691)	(3657)	(2394)	(1878)	(5589)
Tax (net of provisions withdrawn / refunds)	-	20	520	-	-
	(29691)	(3677)	(2914)	(1878)	5589
Add : Depreciation	1507	1463	1479	1624	1697
Provisions withdrawn / adjusted	(548)	(931)	(294)	(145)	(101)
	(28732)	(3145)	(1729)	(399)	(3993)
External Generation					
Equity	2792	2185	800	527	765
Capital Suspense	-	1775	1560	-	-
Term Loans	-	150	55	1775	-
Fixed Deposits	-	-	-	-	994
Inter Corporate Loans	-	-	-	-	936
Bonds	-	1351	163	-	354
Deferred Credits	-	-	-	-	32
Government Loans	250	385	-	450	388
Interest accrued and due	4254	-	3268	2369	1963
	7296	5846	5846	5121	5432
TOTAL SOURCES	(21436)	2701	4117	4722	1439
UTILISATION					
Repayment of Loans					
Term Loans	163	1660	346	1359	1835
Fixed Deposits	329	1250	105	2494	2249
Inter Corporate Loans	-	75	207	789	2213
Bonds	-	11	519	-	-
Government Loans	-	-	760	78	146
Deferred Credits	28	72	117	109	-
Interest Accrued and due	-	2012	-	-	-
	520	5080	2054	4892	6443
Capital Expenditure	378	1007	704	253	136
Investments	1022	25	24	76	52
Miscellaneous Expenditure	20	(60)	(132)	(217)	(218)
	1420	972	596	112	(30)
Add / (Loss)					
Working Capital Movement	(22064)	(459)	1827	658	(3575)
TOTAL UTILISATION	(20124)	5593	4477	5599	2838
Net Surplus / (Deficit)	(1312)	(2892)	(360)	(877)	(1399)
Represented by:					
Increase / (Decrease) in Bank Finance	1312	2892	360	877	1399

FIGURES AT A GLANCE

	1999 - 2000	1998 -99
	(Rs. in Lakhs))	
BALANCE SHEET		
What the Company owned		
Fixed Assets	52088	51710
Less : Depreciation	38547	37588
Net Fixed Assets	13541	14122
Investments	2790	1768
Current Assets	83874	91914
Less : Current Liabilities	69246	55222
	14628	36692
Miscellaneous Expenditure	34	15
Profit and Loss Account	43651	13960
	74644	66557
Less :		
What the Company owed		
Bonds	21166	19528
Banks / Financial Institutions	27393	24399
Fixed Deposits / Inter Corporate Loans	1542	1768
Debentures	4643	4032
Government Loans	716	410
Deferred Credits	7	35
	55467	50172
	19177	16385
Shareholders' Equity Represented by:		
Share Capital	15842	13050
Capital Suspense	3335	3335
Reserves	-	-
	19177	16385
PROFIT AND LOSS ACCOUNT		
What the Company Earned		
Sales Revenue	75238	87422
Jobs done for internal use	350	410
Other income	2992	3776
Stock Accretion / (Decretion)	3028	(1141)
	81608	90467
Less :		
What the Company spent		
Materials	38697	41858
Employee Cost	30667	29261
Depreciation	1507	1463
Other Expenses	32119	21172
Interest	8309	370
	111299	94124
Net Profit / (Loss) before tax	(29691)	(3657)
Income Tax	-	20
Net Profit / (Loss) after tax	(29691)	(3677)

DIRECTORS' REPORT

Your Directors have pleasure in presenting their 47th Annual Report together with the audited accounts of the Company for the year ended March 31, 2000, 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

Your Company achieved a Sales turnover of Rs.752.38 Crore compared to the turnover of Rs.874.22 Crore achieved during the previous year. The production was also at a lower level of Rs.806.80 Crore as against the production of Rs.901.36 Crore achieved in the last year. The performance of the Company during the year 1999-2000 was affected primarily on account of the recessionary conditions prevailing in the major consumer industries for its products and also on account of the severe competition in most of the product groups of the Company apart from the severe liquidity crunch owing to losses incurred by the Company during past several years.

The performance of the various Business Groups of your Company during the year was as follows:

Machine Tools

Despite the recession in the Machine Tool Industry, the Machine Tool Business achieved a higher turnover of Rs.266.82 Crore as against the turnover of Rs.263.47 Crore achieved during the previous year. The production of this Group for the year under review was at Rs.286.60 Crore as against Rs.286.62 Crore achieved during previous year. The Group recorded a net loss of Rs.88.76 Crore during the year compared to the net loss of Rs.13.60 Crore during previous year. During the year the Industrial Machinery Group of your Company was merged with the Machine Tool Business Group to have a focussed attention for the entire Machine Tool and Machinery Divisions of the Company catering to similar Customer Groups.

Tractors

The Group achieved a turnover of Rs.386.39 Crore (15488 tractors) during the year as against the turnover of Rs.453.67 Crore (19010 tractors) achieved during previous year. The performance in terms of production by this Group for the year under review was Rs.384.25 Crore (16335 tractors) as compared to Rs.435.45 Crore (18700 tractors) achieved during previous year. The performance of this Group was affected due to severe competition in the industry with the entry of new players and sluggish demand for Tractors. The Group recorded a lower level of profit of Rs.7.91 Crore during the year as compared to Rs.34.38 Crore in the previous year.

Watches

Despite several constraints the Group achieved a turnover of Rs.95.41 Crore (18.65 lakh watches) during the year against Rs. 153.54 Crore (31.8 lakh watches) achieved during previous year. On the other hand achievement in terms of production during the year under review was Rs.131.74 Crore (21.6 lakh watches) as against a production of Rs.175.64 Crore (30.6 lakh watches) achieved during previous year. The Group incurred a net loss of Rs.204.63 Crore as compared to Rs.53.59 Crore recorded during previous year. The performance of the Watch Group continued to be affected during the year, resulting in the sharp decline in the turnover level over that of the previous year. The Group continued to witness severe liquidity crunch and intense competition from imported brands. Several cost reduction measures were introduced and implemented to sustain the quality and operations for survival of the Group.

OPERATING RESULTS

The operations of your Company during the year resulted in a net loss before Income Tax of Rs.296.91 Crore as compared to the loss of Rs.36.57 Crore incurred during the previous year. The Financial Highlights are as follows:

FINANCIAL HIGHLIGHTS

Particulars	1999-2000	1998-1999
		(Rs. in Lakhs)
Gross Profit	(19875)	(1824)
Depreciation	1507	1463
Interest	8309	370
Net Profit / (Loss) before tax	(29691)	(3657)
Income Tax (pertaining to previous years)	-	20
Net Profit / (Loss) after tax	(29691)	(3677)
Reserves withdrawn	225	953
Balance carried to Balance Sheet	(29466)	(2724)

In view of the losses incurred, your Directors are not in a position to recommend any Dividend on the Equity Share Capital, for the year 1999-2000. No appropriation towards Bonds Redemption Reserve has been made as required under the Bonds Issue Guidelines.

The Company received a grant of Rs. 19.90 Crore, during the year 1999-2000 from Government of India towards implementation of the Voluntary Retirement Scheme. The Company has not received any grant from the Government of India to compensate for the losses incurred for the operations of Watch Factory, Srinagar during the year. However, the Company received budgetary support partly by way of equity and partly by way of loan to an extent of Rs. 2.50 Crore each for the operations of Watch Factory, Srinagar.

For the year 1999-2000, the Government sanctioned a budgetary support of Rs.15.00 Crore as equity to meet the cash losses incurred by the Company on account of exchange rate fluctuations due to Foreign Currency Loan taken for the Watch Factory V, Ranibagh. Further an amount of Rs. 10 Crore was also released as equity by the Government during the current year on this account.

The Authorised Share Capital of the Company has been increased from Rs.135 Crore to Rs.200 Crore with effect from September 30, 1999. The Issued, Subscribed and Paid-up Equity Share Capital of the Company increased from

Rs.130,49,63,400 to Rs.158,42,07,400 as on March 31, 2000. Your Company has taken into account an amount of Rs.33.35 Crore 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, during the year, your Company sold an aggregate area of 7.31 acres of land out of a portion of the surplus land at a total consideration of Rs.9.22 Crore.

FIXED DEPOSITS

The position of fixed deposits as of March 31, 2000 was Rs.14.93 Crore out of which the unclaimed/unpaid deposits amounted to Rs.10.36 Crore. The Company is taking necessary steps to repay the fixed deposits in a phased manner and close the scheme as the entire deposits have since matured.

RESTRUCTURING OF THE COMPANY

It is heartening to note that your Company has received the approval of the Government on August 1, 2000 for the Turnaround Plan submitted by the Company. Consequently the Company has signed a Memorandum of Understanding with the Government of India on August 11, 2000 detailing various actions to be taken on a time bound manner both by the Government and the Company. The salient features of the Memorandum of Understanding signed with the Government are detailed below:

Conversion of loan of Rs.39.70 Crore into equity by the Government and Write off of interest dues to the Government amounting to Rs.12.74 Crore .

Infusion of fresh equity of Rs.250 Crore by the Government for liquidation of outstanding statutory dues, payment to Financial Institutions under the One Time Settlement reached with them and for retirement of other high cost debts. Also, budgetary support of Rs.15.10 Crore for incurring Capital expenditure during 2000-01.

Closure of five unviable Units viz., Food Processing Unit, Aurangabad; Miniature Battery Unit, Guwahati; Watch Case Division, Lamps Unit and Central Metal Forming Institute at Hyderabad, by 31.12.2000 and announcement of VRS for 454