

HMT LIMITED

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Annual Report
2003-2004



HMT LIMITED

No. 59, Bellary Road, Bangalore – 560 032

NOTICE

Notice is hereby given that the Fifty First Annual General Meeting of HMT Limited will be held on Friday, December 31, 2004, at 10.30 a.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, 2004 and the reports of the Directors and Auditors thereon.
2. To fix the remuneration of Statutory/Branch Auditors appointed by the Comptroller and Auditor General of India for the year 2004-2005.

SPECIAL BUSINESS :

3. To consider and if thought fit, to pass, with or without modification, the following Resolution as a Special Resolution:

“RESOLVED THAT pursuant to Sections 256, 257 and 262 of the Companies Act, 1956, read with Articles 67(4) and 67(F) of the Articles of Association of the Company, Shri A. Didar Singh, who was appointed as Director with effect from August 20, 2004, and who retires at the Fifty First Annual General Meeting of the Company and being eligible for re-appointment, be and is hereby appointed as Director of the Company.”

By order of the Board of Directors

(U.Jagadish Nayak)
Chief, Corporate Legal &
Company Secretary

Place: Bangalore

Date : December 6, 2004

Registered Office:

HMT Bhavan
No. 59, Bellary Raod,
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, is annexed in respect of item No. 3.
3. The Share Transfer Books and Register of Members of the Company shall remain closed from 24.12.2004 to 29.12.2004 (both days inclusive).
4. Members/proxies should bring the attendance slip duly filled in for attending the meeting.
5. C & AG's Review of Accounts/Comments will be sent separately.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956**Item No.3**

Shri A. Didar Singh, Joint Secretary to the Government of India, Ministry of Heavy Industries & Public Enterprises, was appointed as a Director of the Company by the President of India, with effect from August 20, 2004, in place of Shri D.R.S. Chaudhary, who resigned. The Board of Directors at their 248th Meeting held on September 17, 2004, approved the appointment of Shri A. Didar Singh, as Director of the Company, in terms of Section 262 of the Companies Act, 1956 read with Article 67(4) of the Articles of Association of the Company. Shri A. Didar Singh retires at the Fifty First Annual General Meeting and being eligible for reappointment has offered himself to be appointed as a Director. Accordingly, Shri A. Didar Singh is proposed for appointment as a Director in terms of Articles 67(4) and 67(F) of the Articles of Association of the Company read with Sections 256, 257 and 262 of the Companies Act, 1956, for which a notice has been received from a Shareholder.

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

Shri A. Didar Singh 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.

INFORMATION PURSUANT TO CLAUSE 49 OF LISTING AGREEMENT

Shri A. Didar Singh aged 52 years is an IAS officer of 1976 batch from Punjab cadre. Before joining as Joint Secretary in the Ministry of Heavy Industries & Public Enterprises, Govt. of India (in Jan 2003), he was a Secretary in the State Govt. where he held several positions as Head of Department in the departments of Industry, Tourism, Finance, and Health etc. He also has hands on experience in management of PSEs having held charge as Managing Director of 5 State level Public Enterprises in the areas of Electronics, Textiles, Cement and Tourism. He was earlier a Joint Secretary in the Ministry of Commerce, Government of India and was prior to that posted as a First Secretary in the Indian Consulate in New York, USA.

Shri Didar Singh has a Masters Degree in Development Administration from the University of Birmingham, UK, and is presently doing a PhD. in Electronic Commerce from Punjab University. Shri Didar Singh is an international expert in E-Commerce and International Trade and has done research studies for several international agencies including International Trade Center, UNCTAD, WHO and ILO, Geneva, as well as the Commonwealth Secretariat, London. Shri Didar Singh has several publications to his credit including a book on E-Commerce.

By order of the Board of Directors

(U. Jagadish Nayak)
Chief, Corporate Legal &
Company Secretary

Place: Bangalore
Date: December 6, 2004

Registered Office:
HMT Bhavan
No. 59, Bellary Raod,
Bangalore – 560 032

**HMT LIMITED**

No. 59, Bellary Road, Bangalore – 560 032

ATTENDANCE SLIP

I, hereby record my presence at the Fiftyfirst Annual General Meeting at the Registered Office of the Company at 10.30 a.m. on Friday, December 31, 2004.

Name of the Attending Member
(in Block Letters)

Members' Folio Number

Name of Proxy.....
(in Block letters, to be filled in if the Proxy attends instead of the Member)

No. of shares held

*Member's/Proxy's Signature

* To be signed at the time of handing over this slip

(tear here)

**PROXY FORM**

I/We

of

being a Member/Members of HMT Limited hereby appoint

..... of

or failing him

of

or failing him

as my/our Proxy in my/our absence to attend and vote for me/us, and on my/our behalf, at the fiftyfirst Annual General Meeting of the Company, to be held at 10.30 a.m. on the 31st day of December, 2004, and at any adjournment thereof.

Signed by the Said

Affix one
ruppe
Revenue
Stamp

Note : The proxy must be deposited at the Registered Office of the Company at No. 59, Bellary Road, Bangalore 560 032, not less than 48 hours before the time for holding the meeting.

HMT LIMITED

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BOARD OF DIRECTORS

Shri M. S. Zahed	Chairman & Managing Director
Shri Naresh Chaturvedi	Director
Shri A. Didar Singh	Director
Shri T. Radha Krishnan	Chief Vigilance Officer

EXECUTIVE DIRECTORS

Shri S. K. Welling	Executive Director, Corporate Planning & Policies
Shri R. R. Srivastava	Executive Director, (HR)
Shri U. Jagadish Nayak	Chief, Corporate Legal & Company Secretary,

STATUTORY AUDITORS

M/s. SVR & Associates
Chartered Accountants
Bangalore

BANKERS

UCO Bank
Punjab National Bank
Andhra Bank

LEGAL ADVISORS

M/s. Carippa & Co
Advocates
Bangalore

REGISTERED OFFICE

HMT Bhavan
59 Bellary Road
Bangalore - 560 032



PERFORMANCE HIGHLIGHTS

	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95
(Rs. in lakhs)										
OPERATING STATISTICS										
Sales	15801	18330	28712	34522	75238	87422	95436	95679	85818	74959
Other Income *	6549	3765	3297	6759	3342	4186	7266	8301	4965	3170
Materials	9952	10734	16018	22071	38697	41858	45667	47321	41792	36756
Employee Costs	5231	5188	5296	7032	30667	29261	28767	29454	25041	20488
Other Operating Costs	6863	7351	7077	9143	32119	21172	20923	19863	18168	16147
Depreciation	419	447	439	446	1507	1463	1479	1624	1697	2417
Earnings before Interest	(208)	(2304)	738	3457	(21382)	(3287)	5744	6600	2349	(225)
Interest	511	1097	(44)	1016	8309	370	8138	8478	7938	7695
Earnings/(Loss) before Tax	(719)	(3401)	782	2441	(29691)	(3657)	(2394)	(1878)	(5589)	(7920)
Taxation (net of Provisions withdrawn/refunds)	77	40	(242)			20	520			
Net Earnings	(796)	(3441)	1024	2441	(29691)	(3677)	(2914)	(1878)	(5589)	(7920)
FINANCIAL POSITION										
Net Fixed Assets	3683	4096	4276	4346	13541	14122	13647	14128	15354	16814
Current Assets	95292	95890	96539	82642	83874	91914	83365	75445	69402	66024
Current Liabilities & Provisions	20246	23810	23116	26996	69246	55222	46214	40121	34767	27814
Working Capital	75046	72080	73423	55646	14628	36692	37151	35324	34635	38210
Capital Employed	78729	76176	77699	59992	28169	50814	50798	49452	49989	55024
Investments	4589	4550	4550	4550	2790	1768	1743	1719	1643	1591
Miscellaneous Expenditure	4822	4949	4375	3404	34	15	75	207	424	642
Borrowings	82055	79121	76750	59128	55467	50172	50475	48683	48010	48387
Net Worth	1116	1535	5550	5414	(24508)	2410	2066	2488	3622	8228
OTHER STATISTICS										
Capital Expenditure	(59)	278	374	300	378	1007	704	253	136	809
Internal Resources Generated	(377)	(2994)	1463	2887	(28184)	(2214)	(1435)	(254)	(3892)	(5503)
Working Capital Turnover Ratio	0.21	0.24	0.36	0.64	2.79	2.36	2.58	2.74	2.44	1.91
Current Ratio	4.71	4.03	4.18	3.06	1.21	1.66	1.80	1.88	2.00	2.37
Return on Capital(%)	(0.27)	(2.99)	1.10	5.76	(54.14)	(6.47)	11.46	13.27	4.47	(0.39)
Employees (Nos)	2568	2649	2809	3004	18395	19387	20463	21850	22794	23857
Per Capita Sales	6.15	6.92	10.22	11.49	4.09	4.51	4.66	4.38	3.76	3.14

Note: Figures from 2000-01 relate only to the Restructured Company.

* Includes Extra Ordinary Items



SOURCES AND UTILISATION OF FUNDS

	2003-04	2002-03	2001-02	2000-01
	(Rs. in lakhs)			
SOURCES				
Internal Generation:				
Net Profit/(Loss) (after interest prior to tax)	(719)	(3401)	782	2441
Tax(net of provisions withdrawn/refunds)	77	40	(242)	—
	(796)	(3441)	1024	2441
Add: Depreciation	419	447	439	446
Provisions withdrawn/adjusted	(130)	(86)	(57)	(169)
	(507)	(3080)	1406	2718
External Generation:				
Equity	250	—	—	27640
Loans from Govt. of India	2003	—	—	—
Term Loans	26	1063	—	5449
Bonds	4040	35240	23450	39188
Inter Corporate Bridge Loan	1583	—	—	—
Interest accrued and due	879	1760	1120	—
	8781	38063	24570	72277
TOTAL SOURCES	8274	34983	25976	74995
UTILISATION				
Repayment of Loans				
Debentures	—	—	—	3333
Term Loans	35	62	5459	3474
Fixed Deposits	—	—	—	457
Inter Corporate Loans	30	201	310	—
Bonds	4083	35045	1256	2226
Government Loans	—	—	—	635
Deferred Credits	—	—	—	5
Interest accrued and due	—	—	—	7178
	4148	35308	7025	17308
Capital Expenditure	(124)	181	229	68
Investments	39	—	—	1005
Deferred Tax	(77)	(74)	5	—
Miscellaneous Expenditure	(127)	574	371	3404
	(289)	681	1205	4477
Add/(Less)				
Working Capital Movement	2966	(1344)	17823	56625
TOTAL UTILISATION	6825	34645	26053	78410
Net Surplus/(Deficit)	1449	338	(77)	(3415)
Represented by				
Increase/(Decrease) in Bank Finance	(1449)	(338)	77	3415



FIGURES AT A GLANCE

	2003-04	2002-03
	Rs. in lakhs)	
BALANCE SHEET		
What the Company owned		
Fixed Assets	11661	11785
Less: Depreciation	7978	7689
Net Fixed Assets	3683	4096
Investments	4589	4550
Current Assets	95292	95890
Less: Current Liabilities	20246	23810
	75046	72080
Deferred Tax	(147)	(70)
Miscellaneous Expenditure	4822	4949
Profit and Loss Account	41129	40333
	129122	125938
Less:		
What the Company owed		
Bonds	70491	69686
Banks (Working Capital)	6099	7548
Banks/Term Loans	1633	1029
Inter Corporate Loans	1829	258
Loans from Govt. of India	2003	-
	82055	79121
	47067	46817
Shareholders' Equity Represented by:		
Share Capital	47067	46817
PROFIT AND LOSS ACCOUNT		
What the Company Earned		
Sales Revenue	15801	18330
Other Income	2232	2223
Stock Accretion/(Decretion)	(93)	(679)
	17940	19874
Less:		
What the Company spent		
Materials	9952	10734
Employee Cost	5231	5188
Depreciation	419	447
Other Expenses	6128	6701
Interest	511	1097
VRS Compensation Written off	705	647
	22946	24814
Net Profit/(Loss) before PPA, Extra ordinary items	(5006)	(4940)
Less: Prior Period Adjustments (PPA)	30	3
Add: Extra Ordinary Items	4317	1542
Net Profit/(Loss) before Tax	(719)	(3401)
Tax (net of provision withdrawn/refunds)	77	40
Net Profit/(Loss) after tax	(796)	(3441)

DIRECTORS' REPORT

To

The Members,
HMT Limited,
Bangalore

The Annual Accounts for the year 2003-2004 along with the Auditors Report and the Comments of the Comptroller & Auditor General of India are attached to this report.

CORPORATE PERFORMANCE

The year 2003-04 was planned to be a year of achieving breakeven for your Company in view of the favourable market conditions for its products viz., tractors during the year, as projected in the previous year's Report. The planned levels of operations could not, however, be achieved due to production constraints coupled with severe working capital shortage owing to slow down in recovery of the funds locked up in the market due to the sluggish market conditions prevailing earlier. Moreover, your Company focused on improvement in the quality of tractors apart from attending to perennial complaints of breakdown etc. As a result of these measures, the Tractor Division could not raise their levels of production to meet the increasing demand for tractors with the favourable market conditions prevailed during the period under review.

As a result of these factors your Company could achieve a production level of Rs.148.60 Crore (5601 Nos.) during the year under review as compared to Rs. 164.78 Crore (6361 Nos.) achieved in the previous year. In terms of Sales also your Company achieved a lower level of Rs. 158.01 Crore (5563 Nos.) as compared with the Sales Turnover of Rs. 183.30 Crore (6802 Nos.) achieved in the previous year. Your Company continues to make sincere efforts to take advantage of the favourable market situation and has also taken a number of remedial measures towards improvement in products and diversification into related areas. Introduction of new models of tractors, improved inventory management systems, market driven production, incentive schemes to accelerate the sales drive and collections, easy finance schemes through credit tie up with leading banks and smartizing through VRS are some of the measures undertaken during the year. Your Directors are confident that with the continued efforts in this direction and with a fairly good monsoon in the agricultural belts for the

second year in succession, your Company will be able to successfully achieve a break even during the current financial year. The sustained efforts have started showing results in the current year with the first quarter performance having exceeded the previous year's first quarter levels. In fact at the end of the first half year, your Company has made substantial improvement in terms of sales turnover achieving a higher level compared with the corresponding period of the previous year, which trend is expected to be sustained during the next two quarters.

OPERATING RESULTS

In view of the continued downturn in the Tractor Industry and the lower levels of performance during the year, the operations of the Company resulted in a net loss of Rs.7.19 Crore as compared Rs. 34.01 Crore registered during the previous year. The financial highlights are listed as below:

Financial Highlights

(Rs. in Crores)

	2003-04	2002-03
Gross Profit (PBIDT)	(40.76)	(33.96)
Depreciation	4.19	4.47
Interest	5.11	10.97
Profit/(Loss) before PPA & Extraordinary items	(50.06)	(49.40)
Add Prior Period Adjustments (PPA)	0.30	0.03
Less Extraordinary items	43.17	15.42
Net Profit/(Loss) (before tax)	(7.19)	(34.01)
Tax Provision (net)	0.78	0.40
Net Profit/(Loss) after tax	(7.97)	(34.41)
Net loss for the year carried to Balance Sheet	(7.97)	(34.41)

DIVIDEND

In view of the Net Loss incurred during the year, your Directors are not in a position to recommend any Dividend on the Equity Share Capital for the year 2003-04. No appropriation towards Bonds Redemption Reserve has been made as required under the Bonds Issue Guidelines.