



58th
Annual Report
2010-11

HMT LIMITED

**HMT LIMITED**

No. 59, Bellary Road, Bangalore - 560 032

NOTICE

NOTICE is hereby given that the Fifty Eighth Annual General Meeting of HMT Limited will be held on **Friday, September 30, 2011, 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, 2011 and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Saurabh Chandra who retires by rotation and being eligible offers himself for reappointment.
3. To fix the remuneration of Statutory/Branch Auditors to be appointed by the Comptroller and Auditor General of India for the year 2011-2012.

By order of the Board of Directors

(U.Jagadish Nayak)
General Manager &
Company Secretary

Place : Bangalore

Date : September 5, 2011

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. The Share Transfer Books and Register of Members of the Company shall remain closed from 23.9.2011 to 30.9.2011 (both days inclusive).
3. Members/proxies should bring the attendance slip duly filled in for attending the meeting.
4. Members are requested to provide their email ID's to the Registrar & Transfer Agent as per attached form.

IMPORTANT COMMUNICATION TO MEMBERS

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to fill the appropriate information in the following form and register the same with Karvy Computershare Private Limited, {Unit - HMT Limited} No. 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad- 500 034.

HMT LIMITED

No. 59, Bellary Road, Bangalore - 560 032

FORM FOR REGISTERING E-MAIL ID FOR RECEIVING DOCUMENTS/NOTICES BY ELECTRONIC MODE

In terms of Circular No. 17/2011 dated April 21, 2011 issued by Ministry of Corporate Affairs, Government of India

| | |
|--|--|
| Name of the Shareholder (In Block letters) including Joint holders, if any | |
| Registered Folio Number/DP 1D/CL ID Nos. | |
| Email- ID | |
| Signature of the Shareholder | |


HMT LIMITED

No. 59, Bellary Road, Bangalore - 560 032

ATTENDANCE SLIP

I, hereby record my presence at the Fifty Eighth Annual General Meeting at the Registered Office of the Company at **10:30 a.m. on Friday, September 30, 2011**

Name of the Attending Member
(in Block Letters)

DP. Id*

Members' Folio Number

Client Id*

No. of Shares

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

* Member's/Proxy's Signature

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

(Tear here)

HMT LIMITED

No. 59, Bellary Road, Bangalore - 560 032

PROXY FORM

DP. Id*

Members' Folio Number

Client Id*

No. of Shares

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 Fifty Eighth Annual General Meeting of the Company, to be held at **10:30 a.m. on the 30th day of September 2011**, and at any adjournment thereof.

Signed by the said

Affix
One Rupee
Revenue
Stamp

Note : The Proxy Form 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 S.G. Sridhar***Director (Operations)**Chairman & Managing Director I/C**(w.e.f 01.04.2011)***Shri A. V. Kamat***Chairman & Managing Director**(upto March 31, 2011)***Shri Saurabh Chandra***Director***Shri Harbhajan Singh***Director***EXECUTIVE DIRECTOR****Shri Prakash Sharan***Executive Director, Tractors***CHIEF VIGILANCE OFFICER****Smt M. Indu Madhavi***Chief Vigilance Officer***COMPANY SECRETARY****Shri U. Jagadish Nayak***General Manager & Company Secretary /
Compliance Officer***STATUTORY AUDITORS****M/s. Dagliya & Co.****Chartered Accountants****Bangalore****BANKERS****UCO Bank****Punjab National Bank****Andhra Bank****REGISTERED OFFICE****"HMT BHAVAN"****59, Bellary Road****Bangalore - 560 032**

PERFORMANCE HIGHLIGHTS

(₹ in Lakhs)

| | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 |
|---------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| OPERATING STATISTICS | | | | | | | | | | |
| Sales | 20086 | 19164 | 16098 | 17108 | 22729 | 24833 | 20386 | 15801 | 18330 | 28712 |
| Other Income * | 1507 | 1078 | 1425 | 1267 | 11458 | 5621 | 9030 | 6549 | 3765 | 3297 |
| Materials | 13735 | 12083 | 10596 | 14064 | 15125 | 17461 | 14710 | 9952 | 10734 | 16018 |
| Employee Costs | 8371 | 6762 | 6367 | 6472 | 6106 | 5813 | 5930 | 5231 | 5188 | 5296 |
| Other Costs | 3209 | 3252 | 4811 | 4080 | 8351 | 5868 | 6236 | 6863 | 7351 | 7077 |
| Depreciation | 387 | 392 | 340 | 299 | 321 | 393 | 416 | 419 | 447 | 439 |
| Earnings before Interest | (4053) | (3323) | (5664) | (4466) | 3639 | 900 | 2024 | (208) | (2304) | 738 |
| Interest | 3871 | 1968 | 1234 | 131 | (409) | (455) | 174 | 511 | 1097 | (44) |
| Earnings/(Loss) before Tax | (7924) | (5291) | (6898) | (4597) | 4048 | 1355 | 1850 | (719) | (3401) | 782 |
| Taxation (net off withdrawal/refunds) | - | - | 181 | (130) | (1382) | 28 | 1252 | 77 | 40 | (242) |
| Net Earnings | (7924) | (5291) | (7079) | (4467) | 5430 | 1327 | 598 | (796) | (3441) | 1024 |
| FINANCIAL POSITION | | | | | | | | | | |
| Net Fixed Assets | 3868 | 4028 | 4094 | 3751 | 3342 | 3437 | 3317 | 3683 | 4096 | 4276 |
| Current Assets | 65557 | 72668 | 71078 | 73167 | 112729 | 111417 | 115431 | 95292 | 95890 | 96539 |
| Current Liabilities & Provisions | 24309 | 21437 | 19445 | 19653 | 20914 | 20366 | 19859 | 20246 | 23810 | 23116 |
| Working Capital | 41248 | 51231 | 51633 | 53514 | 91815 | 91051 | 95572 | 75046 | 72080 | 73423 |
| Capital Employed | 45116 | 55259 | 55727 | 57265 | 95157 | 94488 | 98889 | 78729 | 76176 | 77699 |
| Investments | 76556 | 76556 | 76571 | 76571 | 76571 | 7801 | 4639 | 4589 | 4550 | 4550 |
| Miscellaneous Expenditure | - | - | 29 | 197 | 380 | 3845 | 4594 | 4822 | 4949 | 4375 |
| Borrowings | 59871 | 62091 | 57312 | 52098 | 85553 | 92742 | 99637 | 82055 | 79121 | 76704 |
| Net Worth | 61800 | 69724 | 74986 | 81897 | 86181 | 8146 | 2492 | 1116 | 1535 | 5550 |
| OTHER STATISTICS | | | | | | | | | | |
| Capital Expenditure | 227 | 327 | 681 | 707 | 230 | 556 | 54 | 58 | 278 | 374 |
| Internal Resources Generated | (7537) | (4899) | (6739) | (4168) | 5751 | 1720 | 1014 | (377) | (2994) | 1463 |
| Working Capital Turnover Ratio | 0.49 | 0.37 | 0.31 | 0.32 | 0.25 | 0.27 | 0.21 | 0.21 | 0.24 | 0.36 |
| Current Ratio | 2.70 | 3.39 | 3.66 | 3.72 | 5.39 | 5.47 | 5.81 | 4.71 | 4.03 | 4.18 |
| Return on Capital(%) | (8.08) | (5.99) | (10.02) | (5.86) | 3.84 | 0.93 | 2.28 | (0.27) | (2.99) | 1.10 |
| Employees (Nos) | 1904 | 2088 | 2205 | 2296 | 2383 | 2429 | 2489 | 2568 | 2649 | 2809 |
| Per Capita Sales | 10.55 | 9.18 | 7.30 | 7.45 | 9.54 | 10.22 | 8.19 | 6.15 | 6.92 | 10.22 |

* Includes Extra Ordinary Items

SOURCES AND UTILISATION OF FUNDS

(₹ in Lakhs)

| | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07 |
|---|---------------|---------------|---------------|---------------|--------------|
| SOURCES | | | | | |
| Internal Generation: | | | | | |
| Net Profit/(Loss) (after interest prior to tax) | (7924) | (5291) | (6898) | (4597) | 4048 |
| Tax(net of provisions withdrawn/refunds) | - | - | 181 | (130) | (1382) |
| | <u>(7924)</u> | <u>(5291)</u> | <u>(7079)</u> | <u>(4467)</u> | <u>5430</u> |
| Add: Depreciation | 387 | 392 | 340 | 299 | 321 |
| Provisions withdrawn/adjusted | (40) | (41) | (33) | (1) | (192) |
| | <u>(7577)</u> | <u>(4940)</u> | <u>(6772)</u> | <u>(4169)</u> | <u>5559</u> |
| External Generation: | | | | | |
| Equity | - | - | - | 24470 | 3273 |
| Share Application Money | - | - | - | (24470) | 65867 |
| Loans from Govt. of India | 14528 | 11571 | 2100 | 944 | 1091 |
| Term Loans | - | - | - | 2000 | - |
| Inter Corporate Loan | - | - | - | - | 430 |
| Interest accrued and due | 4189 | 1895 | 1450 | - | 1040 |
| | <u>18717</u> | <u>13466</u> | <u>3550</u> | <u>2944</u> | <u>71701</u> |
| TOTAL SOURCES | <u>11140</u> | <u>8526</u> | <u>(3222)</u> | <u>(1225)</u> | <u>77260</u> |
| UTILISATION | | | | | |
| Repayment of Loans | | | | | |
| Term Loans | 9398 | - | - | 8102 | 9000 |
| Bonds | 12228 | 9171 | - | 25671 | 350 |
| Interest accrued and due | - | - | - | 587 | - |
| | <u>21626</u> | <u>9171</u> | <u>-</u> | <u>34360</u> | <u>9350</u> |
| Capital Expenditure (net) | 186 | 285 | 649 | 707 | 34 |
| Investments | - | (15) | - | - | 68770 |
| Deferred Tax | - | - | (159) | 154 | 1407 |
| Miscellaneous Expenditure | - | (29) | (168) | (183) | (3465) |
| | <u>186</u> | <u>241</u> | <u>322</u> | <u>678</u> | <u>66746</u> |
| Add/(Less) | | | | | |
| Working Capital Movement | (9984) | (402) | (1881) | (38301) | 764 |
| TOTAL UTILISATION | <u>11828</u> | <u>9010</u> | <u>(1559)</u> | <u>(3263)</u> | <u>76860</u> |
| Net Surplus/(Deficit) | <u>(688)</u> | <u>(484)</u> | <u>(1663)</u> | <u>2038</u> | <u>400</u> |
| Represented by | | | | | |
| Increase/(Decrease) in Bank Finance | 688 | 484 | 1663 | (2038) | (400) |

FIGURES AT A GLANCE

(₹ in Lakhs)

| | 2010-11 | 2009-10 |
|--|---------|---------|
| BALANCE SHEET | | |
| What the Company owned | | |
| Fixed Assets | 13908 | 13721 |
| Less: Depreciation | 10040 | 9693 |
| Net Fixed Assets | 3868 | 4028 |
| Investments | 76556 | 76556 |
| Current Assets | 65557 | 72668 |
| Less: Current Liabilities | 24309 | 21437 |
| | 41248 | 51231 |
| Miscellaneous Expenditure | - | - |
| Profit and Loss Account | 58534 | 50611 |
| | 180206 | 182426 |
| Less: | | |
| What the Company owed | | |
| Bonds | 8301 | 20084 |
| Banks (Working Capital) | 6071 | 5381 |
| Term Loans | - | 9398 |
| Inter Corporate Loans | 430 | 430 |
| Loans from Govt. of India | 45069 | 26798 |
| | 59871 | 62091 |
| | 120335 | 120335 |
| Share Holders' Equity Represented by: | | |
| Share Capital | 76035 | 76035 |
| Share Application Money | | |
| Preference Share Capital | 44300 | 44300 |
| | 120335 | 120335 |
| PROFIT AND LOSS ACCOUNT | | |
| What the Company Earned | | |
| Sales (Gross) | 20086 | 19164 |
| Less: Excise Duty | 156 | 144 |
| Net Sales | 19930 | 19020 |
| Other Income | 1506 | 1078 |
| Stock Accretion/(Decretion) | (90) | (1223) |
| | 21346 | 18875 |
| Less: | | |
| What the Company spent | | |
| Materials | 13735 | 12083 |
| Employee Cost | 8371 | 6762 |
| Depreciation | 387 | 392 |
| Other Expenses | 2906 | 2956 |
| Interest | 3871 | 1968 |
| | 29270 | 24161 |
| Net Profit/(Loss) before PPA | (7924) | (5286) |
| Less: Prior Period Adjustments(PPA) | - | 5 |
| Net Profit/(Loss) before Tax | (7924) | (5291) |
| Taxes | - | - |
| Net Profit/(Loss) after Tax | (7924) | (5291) |

DIRECTORS' REPORT

To

The Members
HMT Limited
Bangalore

Dear Members

The Annual Accounts of the Company for the year 2010-11 along with the Auditors' Report and the Comments of the Comptroller & Auditor General of India are attached to this Report.

CORPORATE PERFORMANCE

The Indian Economy recorded robust growth and steady fiscal consolidation in the year 2010-11. The growth rate of the Economy has been 8.6% in the financial year 2010-11 and is expected to be around 9% in the next fiscal i.e the current year. The growth in the agriculture sector is expected to be around 5.4% while growth in the manufacturing and services sectors has registered impressive gains of 7% and 9.5% respectively.

Taking cue from the strong growth indicators, the tractor industry also recorded an impressive growth of 24% during the year under review. As a result, your Company also showed a marginally better performance during the year, recording growth in terms of both Production and Sales, over that of the previous year. During the year, your Company achieved a Production level of ₹187.24 Crore (4812 Nos. of Tractors) as against ₹169.65 Crore (4652 Nos. of Tractors), recorded in the previous year, with a growth of 10%. In terms of Sales also the Company registered a growth of 4% at ₹200.86 Crore (4920 Nos. of Tractors) compared to ₹191.64 Crore (4901 Nos. of Tractors) achieved in the previous year.

At the consolidated level, your Company along with its Subsidiaries achieved an aggregate Production of ₹386.59 Crore and Sales of ₹449.03 Crore for the year 2010-11. On a comparative basis, the performance was marginally better than that of the previous year.

OPERATING RESULTS

Despite the marginal growth in Sales registered during the year, the Operations of your Company resulted in a Net Loss of ₹79.24 Crore during 2010-11, when

compared with ₹52.91 Crore recorded in the previous Year, which was mainly due to the additional provisions required to be made owing to the recent enhancement in the ceiling amount of gratuity payable to retiring employees from ₹3.50 lakhs to ₹10 lakhs and the higher interest burdens on account of Loans availed from the Govt of India under various heads. The financial highlights for the year 2010-11, are as under:

FINANCIAL HIGHLIGHTS

(₹ in crore)

| Particulars | 2010-11 | 2009-10 |
|--|---------|---------|
| Gross Profit/(Loss) (PBIDT) | (36.66) | (29.26) |
| Depreciation | 3.87 | 3.92 |
| Interest | 38.71 | 23.57 |
| Profit/(Loss) before PPA | (79.24) | (52.86) |
| Less: Prior Period Adjustments (PPA) | - | 0.05 |
| Net Profit/(Loss) before tax | (79.24) | (52.91) |
| Tax Provision (Net) | - | - |
| Net Profit/(Loss) after tax | (79.24) | (52.91) |
| Net Profit/(Loss) carried to Balance Sheet | (79.24) | (52.91) |

DIVIDEND

Owing to the losses incurred during the year, the Directors are unable to recommend any dividend on the paid up equity share capital. Hence, no reserve has been created for Bonds redemption as required.

FINANCIAL POSITION

Due to liquidity constraints, the production volume of Tractors has reduced resulting in a turnover of ₹200.06 crore during the year under review. Further, the high interest on account of loan availed from Government of India to discharge liabilities, affected the bottom line to a large extent.

FUTURE OUTLOOK

Indian Tractor Industry's Annual growth rate is expected to be around 8-10%; marginally higher than that of the historical average of 6-8%. The growth drivers of Tractor