

HMT LIMITED

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BOARD OF DIRECTORS

Shri Harbhajan Singh

Shri S.G. Sridhar

Ms. Kusumjit Sidhu

Shri Antony Chacko

Chairman & Managing Director (w.e.f 15.06.2013)

Chairman & Managing Director (upto 14.06.2013)

Director

Director (Operations)

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 S.R.R.K. Sharma Associates

Chartered Accountants

Bangalore

BANKERS

UCO Bank

Punjab National Bank

REGISTERED OFFICE

"HMT BHAVAN"

59, Bellary Road

Bangalore - 560 032

PERFORMANCE HIGHLIGHTS

(₹ in Lakhs)

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
OPERATING STATISTICS										
Sales	10095	16112	20086	19164	16098	17108	22729	24833	20386	15801
Other Income *	4756	4658	5475	1078	1425	1267	11458	5621	9030	6549
Materials	5365	12118	13746	12083	10596	14064	15125	17461	14710	9952
Employee Costs	7070	7499	8371	6762	6367	6472	6106	5813	5930	5231
Other Costs	4090	2906	3140	3252	4811	4080	8351	5868	6236	6863
Depreciation	355	440	387	392	340	299	321	393	416	419
Earnings before Interest	(4135)	735	(16)	(3323)	(5664)	(4466)	3639	900	2024	(208)
Interest	10403	8955	7908	1968	1234	131	(409)	(455)	174	511
Earnings/(Loss) before Tax	(14538)	(8220)	(7924)	(5291)	(6898)	(4597)	4048	1355	1850	(719)
Taxation (net off withdrawal/refunds)	-	-	-	-	181	(130)	(1382)	28	1252	77
Net Earnings	(14538)	(8220)	(7924)	(5291)	(7079)	(4467)	5430	1327	598	(796)
FINANCIAL POSITION										
Net Fixed Assets	3159	3507	3868	4028	4094	3751	3342	3437	3317	3683
Current Assets	68604	70619	65557	72668	71078	73167	112729	111417	115431	95292
Current Liabilities & Provisions	26928	25701	24309	21437	19445	19653	20914	20366	19859	20246
Working Capital	41676	44918	41248	51231	51633	53514	91815	91051	95572	75046
Capital Employed	44835	48425	45116	55259	55727	57265	95157	94488	98889	78729
Investments	76556	76556	76556	76556	76571	76571	76571	7801	4639	4589
Miscellaneous Expenditure	-	-	-	-	29	197	380	3845	4594	4822
Borrowings	82349	71401	59871	62091	57312	52098	85553	92742	99637	82055
Net Worth	39043	53581	61800	69724	74986	81897	86181	8146	2492	1116
OTHER STATISTICS										
Capital Expenditure	7	81	227	327	681	707	230	556	54	58
Internal Resources Generated	(14183)	(7780)	(7537)	(4899)	(6739)	(4168)	5751	1720	1014	(377)
Working Capital Turnover Ratio	0.24	0.36	0.49	0.37	0.31	0.32	0.25	0.27	0.21	0.21
Current Ratio	2.55	2.75	2.70	3.39	3.66	3.72	5.39	5.47	5.81	4.71
Return on Capital(%)	(8.87)	1.57	(0.03)	(5.99)	(10.03)	(5.86)	3.84	0.93	2.28	(0.53)
Employees (Nos)	1442	1699	1904	2088	2205	2296	2383	2429	2489	2568
Per Capita Sales	7.00	9.48	10.55	9.18	7.30	7.45	9.54	10.22	8.19	6.15

* Includes Extra Ordinary Items

DIRECTORS' REPORT

To
The Members,
HMT Limited
Bangalore

Dear Members,

The Annual Accounts of the Company for the year 2012-13 along with the Auditors' Report and the Comments of the Comptroller & Auditor General of India are attached to this Report.

CORPORATE PERFORMANCE

The growth of the Indian economy, as per the Provisional Estimates, in terms of Gross Domestic Product (GDP) is estimated at 5.0 per cent in 2012-13 with agriculture, industry and services registering growth rates of 1.9 per cent, 2.1 per cent and 7.1 per cent respectively. The growth in GDP is placed at 4.8 per cent in the fourth quarter of 2012-13.

The Exports decreased by 1.1 per cent and imports increased by 7.0 per cent, in US dollar terms during May 2013 over May 2012. According to the World Bank's latest India Development Update, a bi-annual report on the Indian economy, India is expected to record 6.1 per cent gross domestic product (GDP) growth in the current fiscal. The growth is expected to increase further to 6.7 per cent in 2014-15. Prospects for agriculture are encouraging since monsoon for the year 2013-14 is near normal and is expected to spur agricultural growth resulting in demand for Company's Products. The macroeconomic and industrial scenario in the Country during the year under review was extremely demanding and continues to be same during the current year so far.

In the Company's main business portfolio of Tractors, the market indicators reveal that the industry recorded growth

of 4% in terms of quantity, but there was a negative growth in value terms to 10% during the year under review. Your Company had to face severe pressure in its performance parameters during the year due to lack of working capital during peak season which effected the production activities during such crucial periods. Your Company could record a Production of only ` 63.05 Crore (1309 Nos. of Tractors) during the year as against ` 182.98 Crore (4453 Nos. of Tractors), in the previous year, and Sales of ` 100.95 Crore (2005 Nos. of Tractors) compared to ` 161.12 Crore (3639 Nos. of Tractors) in the previous years, which was the lowest achieved in recent times. During the year under review, the Company had to reconcile the sales registered in the previous year 2011-12 and give effect to the same in the accounts, due to certain practices followed by the Tractor Unit which were not in accordance with the established Accounting Standards/practices. Necessary corrective measures have been taken in this regard to establish proper accounting norms as per the Accounting Policies and Accounting Standards in vogue.

The HMT Group Companies including the Subsidiaries achieved an aggregate Production of ` 306.86 Crore and Sales of ` 383.70 Crore during the year 2012-13.

OPERATING RESULTS

During the year under review, the operations of your Company resulted in a negative Gross Margin of ` 21.24 Crore as compared to the Gross Margin of ` 11.77 Crore in the previous year. The Operations of your Company resulted in a Net Loss of ` 145.38 Crore during the year 2012-13, when compared with ` 82.20 Crore recorded in the previous year, which was mainly due to lower capacity utilization in the Tractor business and the higher interest burdens on account of Loans availed from the Govt of India under various heads. The financial highlights for the year 2012-13, are as under:

FINANCIAL HIGHLIGHTS

(₹ in Crore)

Particulars	2012-13	2011-12
Gross Profit/(Loss) (PBIDT)	(21.24)	11.77
Depreciation & Amortization	3.55	4.40
Finance Cost	104.03	89.55
Profit/(Loss) before PPA	(128.82)	(82.18)
Less: Prior Period Adjustments (PPA)	16.56	0.02
Net Profit/(Loss) before tax	(145.38)	(82.20)
Tax Provision (Net)	-	-
Net Profit/(Loss) after tax	(145.38)	(82.20)
Net Profit/(Loss) carried to Balance Sheet	(145.38)	(82.20)

DIVIDEND & PROVISIONS

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

FINANCIAL POSITION

Due to the sub-optimal performance during the year under review, the Net Loss for the year to increased to ₹ 145.38 Crore, adversely affecting the Net Worth position of the Company. Further, on account of the loans of India during the year, the interest liability also shot up, adversely affecting the bottom line.

During the year 2012-13 the Tractor Division reported Production of 2523 Tractors and Sales 3333 Tractors in order to report increased performance and after the comprehensive audit taken up by the Company through a special team of Auditors, Production 1214 Nos of Tractors and Sales of 1328 Nos of Tractors had to be reversed. As a result of such inflated reporting of performance by the Unit, the Company's overall performance was severely affected and created an aberration and disciplinary action was initiated against senior executives of the Tractor Division as well as against the Chief executive of the Company. All necessary steps have since been taken during last three months to set right the systems and procedures in the

Unit in accordance with guidelines of the Company and prevailing accounting norms. Both administrative and organizational changes have been effected at various levels in the Unit to strictly ensure that instances of incorrect reporting of Production and Sales are not repeated in future.

FUTURE OUTLOOK

The Tractor industry is expected to grow by 6-8 percent this fiscal owing to near normal monsoon and improvement in rural economy. The Auto Policy of the Government also encourages this sector favorably. Although low HP tractors have only a negligible presence even now, the segment has more than doubled its market share in the past three years. There is an inherent expansion in tractor demand in this segment because of shortage of farm labour/increase in wage rates due to alternative employment opportunities available to workers under National Rural Employment Guarantee Act leading to increased tractor viability even for small/medium size land owners. Low HP tractors are also affordable for farmers with small land holdings that make them a viable option.

Growth in the segment is expected to remain buoyant because of increased application of lower HP tractors for smaller grounds, narrow spaces, orchards and cropping, etc. The other trend that is evident is increased use of tractors in infrastructure and construction sectors which has led to a huge growth in purchase of higher HP tractors. High growth in this segment is expected to continue because of the following:

- Replacement demand turning towards higher HP tractors.
- Increased usage of tractors for non-agricultural applications across India

The Tractor Industry will continue to grow in the year 2013-14 due to thrust of Govt. on Agriculture and infrastructure. The growth drivers of Tractor Industry such as boost in rural economy, increased focus on agriculture and rural development, credit availability, shorter replacement cycle, several policy initiatives by the Government, etc., are aiding the growth trends.

The Tractor Business Group of your Company has already initiated a host of measures towards performance corrections, improvements. Appointment of new Distributors and Dealers in potential areas/territories, up gradation of the tractor engines for compliance to new emission norms for all models of tractors, entering into MoUs with Banks/ Financing Agencies for priority loan sanction for the purchase of HMT Tractors, dynamic business strategies, etc., which are expected to yield results in the current financial year.

The future plans of your Company envisages plant modernization and technology up gradation which will contribute to better productivity and give a thrust to the growth trends in the coming years. The Government has approved Revival and Financial Restructuring Plan for the Company (HMT Ltd) as recommended by the BRPSE during April 2013, which envisages financial support, waivers etc from Government of India. The salient features of the approved Revival Plans amounting to ` 1083.48 Cr., to be implemented in a phased manner are as follows:

- Cash infusion of ` 447.92 Cr. in the form of issue of 8% redeemable Preference Share Capital of the face value of ` 425 Cr. for Plant modernization & capacity augmentation, technology upgradation, working capital, repayment of certain identified liabilities etc. and a Bridge Loan from Government of India at ` 22.92 Cr. at 7% interest p.a., over a period of 2 years;
- Non cash assistance in the form of conversion of Government of India Loans into Equity to the extent of ` 429.92 Cr. and waiver of accumulated interest of ` 205.64 Cr. on Government of India Loans;
- The Government has also approved for implementation of revised Pay Scales/Wages 1997 and revision in the retirement age of employees from 58 years to 60 years from the date of approval of the Revival Plan by Government i.e. 18.4.2013;
- Government has given permission to sell identified surplus land for redemption of the Preference Share Capital and repayment of bridge loan to Government. Formal financial sanctions for Cash infusion and Non Cash assistances etc is expected shortly from the Government after budgetary allocations are made;

The Shareholders of the Company at its Extra Ordinary General Meeting held on June 21, 2013, have considered and Approved the Increase in Authorised Share Capital of the Company from ` 1450 Crore to ` 2100 Crore. The Board also approved, inter-alia, the issue and allotment of fully paid redeemable cumulative 3.5% Preference Share Capital of the face value of ` 443 Cr. in favour of President of India as per the terms of sanction of the investment by Government.

In compliance with the requirement of minimum public shareholding (MPS) of 10% as per Securities Contract (Regulations) (Amendment) Rules, 2010 and SEBI guidelines on MPS, the competent authority has approved the transfer of 67538614 Government shares in the Company held by the President of India of the face value of ` 10/- each to the Special National Investment Fund (NIF) for the purpose of making the Company compliant with the MPS norms of 10% which was effected on 7.8.2013.

The Government of India has issued sanction vide F.No. 5(4)/2011-PE.X (Vol.III) Pt. V dated September 17, 2013 releasing an amount of ` 217,00,00,000/- towards subscription to the privately placed issue of preferential shares of the Company for meeting the expenditure on technology upgradation (` 30 Crore), working capital (` 45 Crore) and discharge of overdue liabilities (` 142 Crore) for which the Company has to issue 2 year 8% preferential share Capital comprising of 2,17,00,000 shares of the face value of ` 100/- each at par in the name of President of India. The shares will be allotted to the Government with the approval of the Board of Directors of the Company. The Govt of India has also sanctioned release of a GOI Bridge Loan of ` 11.46 for meeting the expenditure towards additional impact on account of pay revision as per requirement of the revival plan approved by CCEA.

SUBSIDIARY COMPANIES

- **HMT Machine Tools Limited**

The Subsidiary achieved Sales of ` 236.23 Crore against ` 240.46 Crore achieved in previous year. Net loss reported is ` 43.65 Crore during the year 2012-13 against reported loss of ` 46.14 Cr in previous year. Capacity utilisation for the year 2012-13 is 54%.

The Subsidiary has implemented the revival plan proposals and plant up-gradation. The Subsidiary is also pursuing with various agencies for extending the reliefs and concessions sanctioned by the BIFR under the Rehabilitation Scheme. Some of these Parties including the Consortium of Banks have preferred appeals against the reliefs and concessions sanctioned by the BIFR, which is being contested by the Subsidiary.

During recent Meeting, BRPSE reviewed the progress of Revival Plan Implementation and recognized the need for interim measures to propel the growth of HMT Machine Tools Limited which will augur the momentum. Accordingly proposal from HMT Machine Tools Limited has been forwarded to the Ministry for consideration.

• HMT Watches Limited

This Subsidiary could not show significant improvement in performance during the year under review. Major factors affecting the performance of this Subsidiary were paucity of working capital, erosion of trade channel and high cost of borrowings. Despite these constraints, this Subsidiary could achieve a Sales level of ` 11.06 Crore and Production of ` 14.03 Crore during the year under review. The Net Loss for the year stood at ` 242.47 Crore as compared to ` 224.04 Crore incurred during the previous year.

The Subsidiary was able to reduce its manpower by introduction of VRS, funded by Government of India (GoI) Loans. A total of 59 employees have been retired by the Subsidiary under VRS during the year 2012-13 thereby reducing its manpower strength to 1105 as on 31.3.2013.

The Revival Plan in respect of this Subsidiary has been submitted to the Government based on the business plans prepared by a reputed Consultancy Firm and is under consideration of the Government.

• HMT Chinar Watches Limited

The performance of this Subsidiary could not be sustained at optimum levels due to the disturbed situation prevailing in the J&K Valley apart from working capital constraints for production. Majority of the employees have been separated on VRS leaving about 54 employees at Srinagar and Jammu Units of the Subsidiary. Under these circumstances, the Subsidiary's Sales was limited to ` 0.36 Crore during the year compared to ` 0.08 Crore in the previous year, with NIL Production for the year. In view of the virtual non operating levels, the Subsidiary incurred a Net loss of ` 51.16 Cr against ` 44.04 Crore compared to previous year.

• HMT (International) Limited

This Mini Ratna Subsidiary achieved a turnover of ` 34.09 Crore as against ` 32.40 Crore recorded in the previous year, i.e. 2011-12, registering a growth of 5%. The Order procurement during the year is ` 24.10 Crore as against ` 37.98 Crore achieved in the previous year. Continuing the trend of achieving profits, Subsidiary could report Profit before Tax (PBT) of ` 6.85 Crore achieved against ` 1.74 Crore reported in previous year. PBT includes earlier bad debts written off realised now amounting to ` 4.13 Cr. The Subsidiary has maintained its consistent dividend payment record and has recommended a dividend of 20% for the year 2012-13 on its Paid-up equity share capital.

• HMT Bearings Limited

During the year under review, the Subsidiary was able to achieve a Sales of ` 12.54 Crore, against the Previous Year's Sales of ` 16.12 Crore. In terms of Production the Company was able to achieve ` 11.73 Crore compared to the Previous Year's Production level of ` 14.64 Crore. Profit before Tax is ` (-)2.07 Cr. with exceptional Item of interest waiver of ` 6.38 Cr. against ` (-)10.12 Cr. reported during 2011-12.

The Revival Plans of this Subsidiary submitted to DHI/ BRPSE has been approved by BRPSE during its meeting held in May 2013 and forwarded its recommendations to Government

ASSOCIATE /JOINT VENTURE COMPANY

SUDMO-HMT Process Engineers (India) Limited

This Joint Venture Company could not transact any business during the year under review. For the financial year 2012-13, this Company showed a Profit after tax of ` 1.06 Lakhs on account of the interest income of ` 3.71 Lakhs, on the fixed deposits kept with the Banks. The Company is in the process of re-starting the operations of this Company.

Gujarat State Machine Tools Corporation Ltd

This Joint Venture Company between HMT and GIIC Ltd has discontinued its operations since long. It is therefore proposed to divest from this Associate Company jointly with the JV Partner. The process of disinvestment from this Company, is under consideration by the Company in consultation with the JV Partner.

CONSOLIDATED FINANCIAL STATEMENTS

As required under the Listing Agreement, Consolidated Financial Statements of the Company along with that of the Subsidiaries for the financial year 2012-13, conforming to the applicable Accounting Standards, are attached to this Report along with the Auditors' Report on the same.

In terms of the General Circular No. 2/2011 dated 8th February, 2011, issued by the Central Government in terms of Section 212(8) of the Companies Act, 1956, the Directors have consented not to attach copy of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and Auditors of the five (5) Subsidiary Companies viz., HMT Machine Tools Limited; HMT Watches Limited; HMT Chinar Watches Limited; HMT Bearings Limited and HMT (International) Limited to the Balance Sheet of the Company (Holding Company). However, these documents will be made available upon request by any member of the Company and Subsidiary Companies interested in obtaining the same. Further, in compliance with the conditions of the above referred Government circular, the financial information of each of these subsidiary Companies have been furnished as part of the Consolidated Balance Sheet of the Company. The annual accounts and other detailed information of each of the Subsidiary companies will be available for inspection by any member at the Registered Office of the Company. A statement pursuant to Section 212(1) of the Companies Act, 1956, in respect of each of the Subsidiary Companies is attached to this report.

HUMAN CAPITAL

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 2012-13.

The employee strength of the Company as on March 31, 2013, stood at 1442 Nos. as compared to 1699 at the end of the previous year. There are 295 employees in the Officer Cadre and 1147 Non-Executive in Workmen cadre. The number of employees on the rolls of the Company as on March 31, 2013 in SC/ST, Ex-servicemen, Physically Handicapped and Women Employee Categories etc. is detailed below:

Scheduled Castes	320
Scheduled Tribes	47
Other Backward Classes	105
Ex-Servicemen	4
Persons with Disabilities	15
Women employees	44
Minorities	217

INDUSTRIAL RELEATIONS

The overall Industrial Relations situation in the Company during the year remained cordial.

IMPLEMENTATION OF OFFICIAL LANGUAGE

The efforts towards implementation of Official Language Act, Rules & Policy as per the directives of the Government in the Company is continuous. The Official Language Implementation Committee have been constituted in all the Units of the Company and the Subsidiaries, including the Corporate Office at Bangalore to monitor implementation of Official Language Act, Rules, Policy, etc. which meets at regular intervals in every quarter.

In order to propagate the usage of Hindi as Official Language, "HINDI DIWAS/HINDI FORTNIGHT" was observed during the month of September, 2012. Various Hindi competitions such as Hindi Story writing, Hindi News Paper Reading, Hindi Quiz Writing, Hindi Conversation, Hindi Antyakshari, etc., were organized and participants were awarded prizes. A workshop was organised during the above period. The Hindi Magazines/Newspapers are being procured to propagate the usage of Hindi among employees. The concerned Officials of the Company regularly take part in the meetings of the Town Official Languages Implementation Committee. The Company also sponsors some of the Hindi competitions under Bangalore Town Official Language Implementation Committee

VIGILANCE ACTIVITIES

The Chief Vigilance Officer appointed by the Government of India heads the Corporate Vigilance Department of the Company. The Chief Vigilance Officer is assisted at Unit level by exclusively appointed Vigilance Officers. The Corporate Vigilance Department carries out vigilance functions in the Company as well as in the Subsidiaries. The vigilance functions in the manufacturing Units and Marketing Offices are looked after by Vigilance Officers, under the guidance of Chief Vigilance Officer.

The Vigilance Department carried out regular and surprise inspections of a large number of high value contracts / purchases, services contracts etc and verified Annual Property returns submitted by the officers of the Company. Violations of rules and procedures were pointed out and comments of the concerned officers on the same were obtained. Wherever required, appropriate action against the concerned officers was recommended. The Vigilance Officers were given special task such as verification of man power contracts. This was done across all Units of the Company & Subsidiary Companies.

In line with CVC's direction, emphasis was laid on preventative vigilance by striving towards strict adherence to all rules and procedures and all norms of transparency in tendering process. Based on CVC's guidelines for **'Improving vigilance administration by leveraging technology and increasing transparency through effective use of website'** necessary directions were given by CVO for implementation of the same. Some of the systems put in place by the Company are:

1. Hosting of all open tenders and high value Limited Tenders on www.tenders.gov.in (website of GoI).
2. Publishing details regarding all purchase orders / contracts concluded during the month, above the threshold value (presently ` 5.00 lakhs).
3. Application form for vendor registration along with list of items required by different Units of the Company and Subsidiaries are made available on Company website so as to enable the interested vendors to download the application form and submit the same to the Unit of their choice. Efforts are being made for periodical uploading of status of every vendor application on website.
4. Units are directed to upload status of vendor applications on the website and update the same once in quarter. Presently 3 Units have implemented this.
5. Payments by electronic mode to suppliers are being done completely by one Manufacturing Unit and partially by all Units. Efforts are being put for complete compliance by all Units

Quarterly vigilance workshops were organized at all manufacturing Units to enhance the level of vigilance awareness among the employees and other stakeholders. Vigilance Awareness Week 2012 was observed in all Units and Offices of the Company and Subsidiaries as per the guidelines of CVC.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a Report on the Corporate Governance is annexed as part of this Report along with the Compliance Certificate from the Auditors. A Report on Management Discussion and Analysis is also appended to this Report separately. Further, a declaration by the Chairman & Managing Director for having obtained affirmation of compliance of the Code of Conduct by the Board Member (s) and Senior Management for the year ended March 31, 2013, is also appended.

The Audit Committee could not be reconstituted as per Cl. 49 of the Listing Agreement in the absence of Independent Directors to be appointed by the Government on the Board.

The Register of Members and Share Transfer Records both in respect of the shares held in physical and depository form are maintained by Karvy Computershare Private Limited, the Registrars & Share Transfer Agents of the Company.

INFORMATION REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under the Companies (Disclosures of Particulars) Rules, 1988, are annexed to this Report.

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 the Annual Accounts, the applicable accounting standards have 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 have 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 and for preventing and detecting fraud and other irregularities;
- The Directors have prepared the annual accounts on a going concern basis.

AUDITORS

M/s S.R.R.K.Sharma, Bangalore, were appointed as Statutory Auditors of the Company for the year 2012-13 by the Comptroller & Auditor General of India. Three firms of Chartered Accountants were also appointed as Branch Auditors for the other Units/Divisions of the Company. M/s.Khurana & Co Cost Accountants were re-appointed as

Cost Auditors for the year 2012-13 in respect of "Tractors" and S.B.Khadke & Co., Cost Accountants were re-appointed as Cost Auditors for "Food processing Unit", Aurangabad for the year 2012-13.

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

DIRECTORS

Vide Presidential Order No.5(8)/2010-P.E.X dated 2nd May 2013 issued by the Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises, Ms. Kusumjit Sidhu, has been appointed as the Part time Official Director of the Company with immediate effect, until further orders vice Shri Vijay Shankar Madan. The Board of Directors has approved her appointment as Director with effect from 2nd May 2013 in terms of Article 67(4) of the Articles of Association read with Section 262 of the Companies Act, 1956. Ms.Kusumjit Sidhu, is proposed for appointment as a Director in terms of Article 67(4) of the Article of Association of the Company read with Sections 255,257 and 262 of the Companies Act, 1956, for which a notice has been received from a Member.

Shri Antony Chacko who was appointed as Director of the Company, retires by rotation at ensuing Annual General Meeting and is eligible for re-appointment. The Govt has given additional charge of the Post of Chairman & Managing Director of the Company to Shri Harbhajan Singh, Director and Joint Secretary with effect from 15.06.2013.

ACKNOWLEDGEMENTS

Your Directors are thankful to the various Departments and Ministries in the Government of India, 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, Foreign Collaborators, the Subsidiary Companies, Suppliers, Reserve Bank of India, the Consortium of Banks lead by UCO Bank and the valued Customers of the Company both in India and abroad for their continued co-operation and patronage.

Your Directors would also like to take this opportunity to express their appreciation for the contributions made by the Company's employees and look forward to their continued services in pursuit of building a world class Indian Company.

For and on behalf of the Board of Directors



Harbhajan Singh

Chairman & Managing Director

Place: Bangalore

Date: 23-10-2013