

## HMT LIMITED

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**BOARD OF DIRECTORS**

|                          |  |
|--------------------------|--|
| Shri. S. Girish Kumar    | Chairman & Managing Director (w.e.f 01.12.2013)    |
| Shri. Harbhajan Singh    | Chairman & Managing Director (upto 30.11.2013)     |
| Shri. S. K. Bahri        | Director   |
| Shri. Rajesh Kumar Singh | Director   |
| Shri. Antony Chacko      | Director (Operations) (upto 20.05.2014)            |
| Shri. P. Sivarami Reddy  | Director (Operations & Finance) (w.e.f 26.05.2014) |

**CHIEF VIGILANCE OFFICER**

|                         |   |
|-------------------------|---|
| Shri. Lakshmi Narasimha | Chief Vigilance Officer (I/C)             |
| Smt. Indu Madhavi       | Chief Vigilance Officer (upto 06.05.2014) |

**COMPANY SECRETARY**

|                        |   |
|------------------------|---|
| Shri U. Jagadish Nayak | General Manager & Company Secretary<br>Compliance Officer (upto 19.03.2014) |
| Shri Subhas B. K.      | Company Secretary (w.e.f. 20.06.2014)                                       |

**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)

|                                       | 2013-14 | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 |
|---------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>OPERATING STATISTICS</b>           |         |         |         |         |         |         |         |         |         |         |
| Sales                                 | 7971    | 10095   | 16112   | 20086   | 19164   | 16098   | 17108   | 22729   | 24833   | 20386   |
| Other Income *                        | 30518   | 4756    | 4658    | 5475    | 1078    | 1425    | 1267    | 11458   | 5621    | 9030    |
| Materials                             | 6700    | 5365    | 12118   | 13746   | 12083   | 10596   | 14064   | 15125   | 17461   | 14710   |
| Employee Costs                        | 9030    | 7070    | 7499    | 8371    | 6762    | 6367    | 6472    | 6106    | 5813    | 5930    |
| Other Costs                           | 11373   | 4090    | 2906    | 3140    | 3252    | 4811    | 4080    | 8351    | 5868    | 6236    |
| Depreciation                          | 340     | 355     | 440     | 387     | 392     | 340     | 299     | 321     | 393     | 416     |
| Earnings before Interest              | 12016   | (4135)  | 735     | (16)    | (3323)  | (5664)  | (4466)  | 3639    | 900     | 2024    |
| Interest                              | 1434    | 10403   | 8955    | 7908    | 1968    | 1234    | 131     | (409)   | (455)   | 174     |
| Earnings/(Loss) before Tax            | 10582   | (14538) | (8220)  | (7924)  | (5291)  | (6898)  | (4597)  | 4048    | 1355    | 1850    |
| Taxation (net off withdrawal/refunds) | 1861    | -       | -       | -       | -       | 181     | (130)   | (1382)  | 28      | 1252    |
| Net Earnings                          | 8721    | (14538) | (8220)  | (7924)  | (5291)  | (7079)  | (4467)  | 5430    | 1327    | 598     |
| <b>FINANCIAL POSITION</b>             |         |         |         |         |         |         |         |         |         |         |
| Net Fixed Assets                      | 2831    | 3159    | 3507    | 3868    | 4028    | 4094    | 3751    | 3342    | 3437    | 3317    |
| Current Assets                        | 67742   | 68604   | 70619   | 65557   | 72668   | 71078   | 73167   | 112729  | 111417  | 115431  |
| Current Liabilities & Provisions      | 21881   | 26928   | 25701   | 24309   | 21437   | 19445   | 19653   | 20914   | 20366   | 19859   |
| Working Capital                       | 45861   | 41676   | 44918   | 41248   | 51231   | 51633   | 53514   | 91815   | 91051   | 95572   |
| Capital Employed                      | 48692   | 44835   | 48425   | 45116   | 55259   | 55727   | 57265   | 95157   | 94488   | 98889   |
| Investments                           | 76390   | 76556   | 76556   | 76556   | 76556   | 76571   | 76571   | 76571   | 7801    | 4639    |
| Miscellaneous Expenditure             | -       | -       | -       | -       | -       | 29      | 197     | 380     | 3845    | 4594    |
| Borrowings                            | 11246   | 82349   | 71401   | 59871   | 62091   | 57312   | 52098   | 85553   | 92742   | 99637   |
| Net Worth                             | 113838  | 39043   | 53581   | 61800   | 69724   | 74986   | 81897   | 86181   | 8146    | 2492    |
| <b>OTHER STATISTICS</b>               |         |         |         |         |         |         |         |         |         |         |
| Capital Expenditure                   | 12      | 7       | 81      | 227     | 327     | 681     | 707     | 230     | 556     | 54      |
| Internal Resources Generated          | 10922   | (14183) | (7780)  | (7537)  | (4899)  | (6739)  | (4168)  | 5751    | 1720    | 1014    |
| Working Capital Turnover Ratio        | 0.17    | 0.24    | 0.36    | 0.49    | 0.37    | 0.31    | 0.32    | 0.25    | 0.27    | 0.21    |
| Current Ratio                         | 3.10    | 2.55    | 2.75    | 2.70    | 3.39    | 3.66    | 3.72    | 5.39    | 5.47    | 5.81    |
| Return on Capital(%)                  | 25.70   | (8.87)  | 1.57    | (0.03)  | (5.99)  | (10.03) | (5.86)  | 3.84    | 0.93    | 2.28    |
| Employees (Nos)                       | 1434    | 1442    | 1699    | 1904    | 2088    | 2205    | 2296    | 2383    | 2429    | 2489    |
| Per Capita Sales                      | 5.56    | 7.00    | 9.48    | 10.55   | 9.18    | 7.30    | 7.45    | 9.54    | 10.22   | 8.19    |

\* Includes Extra Ordinary Exceptional Items

## DIRECTORS' REPORT

To  
The Members,  
HMT Limited  
Bangalore

Dear Members,

The Board of Directors have pleasure in presenting the 61<sup>st</sup> Annual Report on the Business & Operations of your Company and the Annual Accounts for the year 2013-14 together with the Auditors' Report thereon and the Comments of the Comptroller & Auditor General (CAG) of India.

### BUSINESS SCENARIO

India's economic growth rate in the current fiscal was 4.7 percent as against 4.5 percent recorded in the previous year, mainly on account of improved performance in the agriculture and allied sectors. The sub 5 percent growth of economy was primarily a result of the slowdown in industry for second year in succession that registered a growth rate 0.4 percent. Manufacturing sector witnessed contraction of 0.8 percent in 2013-14 as compared to a growth of 1.3% in the previous year. The high inflation and interest rates did not boost the consumer sentiment in the market and thus did not lead to favorable business environment during 2013-14. The domestic market suffered from weak consumer off take and poor industrial production growth.

During Fiscal 2013-14, IIP growth was (0.1) percent as compared to 1.1 percent in April- March 2012-13. Overall growth in the Index of Industrial Production (IIP) was 3.4 per cent during April 2014 as compared to 1.5 per cent in April 2013.

As per the Advance Estimates the growth in Gross Domestic Product (GDP) at factor cost is estimated at 4.9 per cent in 2013-14 with agriculture, industry and services registering growth rates of 4.6 per cent, 0.7 per cent and 6.9 per cent respectively. The GDP growth rate is placed at 4.4 per cent, 4.8 per cent and 4.7 per cent respectively for the first, second and third quarters of 2013-14.

Growth in real fixed capital formation (fixed investment) is estimated at (-) 1.2 per cent in Q1 of 2013-14 as against (-) 2.2 per cent in Q1 of 2012-13. As a ratio of GDP at current market prices, gross fixed capital formation was 28.6 per cent in Q1 of 2013-14 as against 29.9 per cent in Q1 of 2012-13. The rate of growth of private final consumption expenditure was 1.6 per cent. The growth of exports was negative.

Agriculture plays the significant role in the all-round socio economic development of the country; however, its share in GDP has been declining over the years which is 13.7 percent currently. The average annual growth rate of 3.3 percent during the 11th Five Year Plan has fallen short of the 4 percent growth target, but has been much faster than the 9th and 10th Five Year Plan annual average growth rate of 2.5 and 2.4 percent respectively. The growth target set for agriculture for the 12th Five Year Plan is 4 percent. The good monsoons in 2013 14 bode well for strong agricultural output.

The contribution of the capital goods sector for the growth of IIP has been negative during last two years. Declining trends in investment, fall in the growth of credit off take and low level of investment in R&D have contributed reduction in the growth rate of capital goods sector from the high of 48.5 per cent in 2007-08 to contraction of 4.0 per cent and 6.3 per cent in 2011-12 and 2012-13 respectively. During April-June 2013 capital goods production declined by 3.3 per cent. The only capital goods segment that has shown recovery in domestic production is the electrical machinery and apparatus segment showing robust growth of 11.9 per cent during April-June 2013.

On the Company's main business portfolio of Tractors, the market indicators reveal that the industry recorded growth of 21% in terms of quantity. After seeing volumes in both domestic and export markets shrink by as much as 3 percent in fiscal 2013-14 the domestic tractor industry witnessed strong 18 per cent growth in the last fiscal. Your Company had to face severe pressure on performance during the year due to lack of working capital. Your Company recorded a Production of ` 74.11 Crore (1546 Nos. of Tractors) as against ` 63.05 Crore (1309 Nos. of

Tractors), in the previous year, and Sales of ₹ 78.45 Crore (1488 Nos. of Tractors) compared to ₹ 99.42 Crore (2005 Nos. of Tractors) in the previous year. HMT Group along with its Subsidiaries achieved an aggregate Production of ₹ 249.41 Crore and Sales of ₹ 270.79 Crore for the year 2013-14.

Riding high on the expectations from the new Government at centre, GDP is expected to grow during 2014-15. As per farm experts Tractor Industry is also expected to witness a growth of 8-10% during 2014-15 on back of sustained agriculture demand. Tractors in higher HP segment will record good growth due to Infrastructure projects.

## OPERATING RESULTS

During the year under review, the operations of your Company resulted in a negative Gross Margin of ₹ 150.36 Crore (which includes ₹ 82.75 Crore provision for Holding Company loan and investment in HMT Chinar Watches Ltd) as compared to the negative Gross Margin of ₹ 21.24 Crore in the previous year. The Operations of your Company resulted in a Profit of ₹ 105.82 Crore during the year 2013-14, as compared Loss of ₹ 145.38 Crore recorded in the previous year, which was mainly due to waiver of Interest & Guarantee Fee of ₹ 291.18 Crore as per the Revival Plan approved by GOI. The financial highlights for the year 2013-14, are as under:

### FINANCIAL HIGHLIGHTS

(₹ in Crore)

| Particulars                                | 2013-14  | 2012-13  |
|--|----------|----------|
| Gross Margin (PBIDT)                       | (150.36) | (21.24)  |
| Depreciation & Amortization                | 3.40     | 3.55     |
| Finance Cost                               | 14.34    | 104.03   |
| Profit/(Loss) before PPA                   | (168.10) | (128.82) |
| Add: Exceptional Items                     | 275.00   | -        |
| Less: Prior Period Adjustments (PPA)       | 1.08     | 16.56    |
| Net Profit/(Loss) before tax               | 105.82   | (145.38) |
| Tax Provision (Net)                        | 18.61    | -        |
| Net Profit/(Loss) after tax                | 87.21    | (145.38) |
| Net Profit/(Loss) carried to Balance Sheet | 87.21    | (145.38) |

## DIVIDEND

As the Company is facing severe financial constraints, the Directors are unable to recommend any dividend on the paid up equity share capital of the Company.

## FINANCIAL POSITION

The Company reported positive profit after Tax of ₹ 87.21 Crore due to exceptional items like Interest waiver & Guarantee fee waiver sanctioned as part of the Revival Plans of the Company. During the year 2013-14 the Company has reported Production of 1546 Tractors and Sales of 1488 Tractors.

## FUTURE OUTLOOK

Tractor industry is expected to grow by 4-6 percent this fiscal owing to near normal monsoon and improvement in rural economy. The Auto Policy of the Government also encourages this sector favourably.

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.

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 replacement demand turning towards higher HP tractors and increased usage of tractors for non-agricultural applications across India

The Tractor Industry will continue to grow in the year 2014-15 due to thrust of the Govt. on Agriculture and infrastructure drivers remaining favourable. 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 to improve performance and fuel efficiency. Appointment of new Distributors and Dealers in potential areas/territories, up-gradation of the tractor engines to contemporary requirements, entering into MoU's with Banks/Financing Agencies for priority loan sanctions 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 the Revival and Financial Restructuring Plan for the Company (HMT Ltd) during April, 2013 as recommended by the BRPSE, which envisages financial support, waivers etc., from Government of India. Formal sanctions for Non-cash Assistance i.e., conversion of Government Loans into Equity and waiver of accumulated interest thereon received during the year.

## **SUBSIDIARY COMPANIES**

### **HMT Machine Tools Limited**

The Subsidiary achieved Sales of ₹ 159.02 Crore against ₹ 213.01 Crore in the previous year. Net loss reported is ₹ 52.66 Crore during the year 2013-14 against reported loss of ₹ 43.65 Cr in previous year. Capacity utilization for the year 2013-14 is 53%.

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.

BRPSE reviewed the progress of Revival Plan Implementation and recognised the need for interim measures to propel the growth of HMT Machine Tools Limited. Accordingly, the proposal forwarded to DHI was approved by CCEA during February 2014 and formal sanctions received during 2014-15. Accordingly, the implementation process has been initiated.

### **HMT Watches Limited**

The performance of the Subsidiary showed a decline 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. The Subsidiary could achieve a Sales level of ₹ 7.48 Crore and Production of ₹ 4.70 Crore during the year under review. The Net Loss for the year stood at ₹ 233.08 Crore as compared to ₹ 242.47 Crore incurred during the previous year.

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 examination of the Government.

### **HMT Chinar Watches Limited**

The performance of this Subsidiary could not be sustained 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 34 employees at Srinagar and Jammu Units of the Subsidiary. The Subsidiary's Sales was ₹ 0.39 Crore during the year compared to ₹ 0.32 Crore in the previous year, with NIL Production for the year. The Subsidiary incurred a Net loss of ₹ 50.56 Cr against ₹ 51.16 Crore in previous year.

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

The Subsidiary which is the export arm of the Company, achieved a turnover of ₹ 25.08 Crore as against ₹ 34.09 Crore recorded in the previous year, i.e. 2012-13 due to demand depletion. The Order procurement during the year was ₹ 22.23 Crore as against ₹ 24.10 Crore achieved in the previous year. The Subsidiary reported a Profit Before Tax (PBT) of ₹ 0.50 Crore as against ₹ 6.85 Crore reported in previous year. The Subsidiary has maintained its consistent dividend payment record and has recommended a dividend of 10% for the year 2013-14 on its Paid-up equity share capital

### **HMT Bearings Limited**

During the year under review, the Subsidiary significantly improved its performance and was able to achieve a Sales

of ₹ 14.36 Crore, against the Previous Year's Sales of ₹ 10.89 Crore. In terms of Production, the Company achieved ₹ 15.04 Crore compared to the Previous Year's Production level of ₹ 11.73 Crore. The Company has incurred a net loss of ₹ 15.98 Crore as against ₹ 2.07 Crore reported during 2012-13.

The Revival Plans of this Subsidiary submitted to DH/BRPSE was recommended by the BRPSE during its meeting held in May 2013 and is under the consideration of the 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 2013-14, this Company showed a Profit after tax of ₹ 0.93 Lakhs on account of the interest income of ₹ 3.68 Lakhs, on the fixed deposits kept with the Banks.

### Gujarat State Machine Tools Corporation Ltd

This Company a Joint Venture 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 2013-14, 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, Statement of Profit and Loss, Report of the Board of Directors and Auditors of the five (5) Subsidiary Companies viz., HMT Machine Tools Limited; HMT Watches Limited; HMT Chinara 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 of any member of the

Company. 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 RESOURCE

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 2013-14.

The employee strength of the Company as on March 31, 2014, stood at 1434 Nos. as compared to 1442 at the end of the previous year. There are 291 employees in the Officer Cadre and 1143 Non-Executive in Workmen cadre. The breakup of the number of employees on the rolls of the Company in categories like SC/ST, Ex-servicemen, Physically Handicapped and Women Employee etc. as on March 31, 2014 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 RELATIONS

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 is 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. 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, 2013. Various competitions in Hindi 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 Language Implementation Committee.

#### **VIGILANCE ACTIVITIES**

The Chief Vigilance Officer appointed by the Government of India heads the Corporate Vigilance Department of the Company. Chief Vigilance Officer is assisted at Unit level by exclusively appointed Vigilance Officers.

The Corporate Vigilance Department carries out vigilance functions in the Holding Company as well as its Subsidiary Companies. The vigilance functions in the manufacturing Units and Marketing Offices are looked after by Vigilance Officers, under the guidance of Chief Vigilance Officer.

All the Unit Vigilance Officers send their monthly Vigilance / Inspection Reports and Surprise Inspection reports to CVO. The reports so received are scrutinized at CVO Office for further action. Unit Vigilance Officers also verify Annual Property Returns submitted by the Unit level Officers.

Apart from regular inspections by Unit Vigilance Officers, CVO conducts CTE type surprise and regular inspections of high value purchase/contracts and systems by visiting various Subsidiaries and Units.

Violations of rules and procedures observed during the inspection of files by CVO/Unit VOs were pointed out and comments of the concerned officers on the same were obtained. Wherever required, appropriate action against the concerned officers were recommended, instructions were issued to the effect that the violations of rules and procedures pointed out by the Vigilance Department should not be repeated.

Emphasis was laid on preventive 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 websites, 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](http://www.tenders.gov.in) (Website of GOI). All Manufacturing Units and Offices generally observed compliance.
2. Publishing details regarding all purchase orders / contracts concluded during the month and above the threshold value (presently ` 5.00 lakhs). Implemented by all Units except Food Processing Machinery Unit, Aurangabad, CSD Division, Bangalore and Corporate Office, Bangalore under HMT Limited.
3. Application form for vendor registration along with list of items required by different Units of HMT Limited 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. Presently 5 Units have uploaded the status.
4. Efforts are being made to persuade all Unit Managements to adopt e-payment mode for remittance of all payments including supplier payments. At present the HMT MTL Kalamassery Unit has adopted e-payment mode for making all payments. In many of the Units partial payments are being done by e payment mode.

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 2013 was observed in all Units and Offices of HMT Limited and Subsidiary Companies as per the guidelines of CVC.

The number of inspections including surprise inspections carried out by CVO and Unit Vigilance Officers along with the number of property returns scrutinized between April 2013 to March 2014 is tabulated below :-



| Inspection   | Total carried out between April 2013 – March 2014 (by Unit Vigilance Officers)  |
|--|---|
| Periodic Inspection of Purchase Files              | 1464  |
| Surprise Inspection                                | 306   |
| Scrutiny of Annual Property Returns                | 1120  |
| Inspections done by CVO (April 2013 to March 2014) | (i) Watch Show Room in Bangalore (HMT Bhavan) (ii) HMT Machine Tools Hyderabad Unit, Praga Tools, Hyderabad and HMT Bearings Limited, Hyderabad. (iii) HMT MTL Bangalore Complex (MBX) (iv) HMT International Limited, Bangalore. (v) All HMT Units having the facility of dedicated Residential Colony for employees are directed to verify for cases of sub-letting on the basis of inspection at Bangalore. (vi) Surprise inspection at HMT WL Watch Factory, Bangalore. |

## 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, 2014, 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 Section 217 (2AA) of the Companies Act, 1956 the Board of Directors confirm that:

- In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- accounting policies have been selected and applied consistently and the judgments and estimates made 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;
- Proper and sufficient care has been taken 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 annual accounts have been prepared 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 2013-14 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.

## DIRECTORS

Vide Presidential Order No.5(8)/2010-P.E.X dated 17<sup>th</sup> December 2013 issued by the Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises, Shri Rajesh Kumar Singh, has been appointed as the Part time Official Director of the Company with immediate effect, until further orders vice Shri Harbhajan Singh.

And Vide Presidential Order No.5(8)/2010-P.E.X dated 20<sup>th</sup> May 2014 issued by the Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises Shri S.K Bahri, has been appointed as the Part time Official Director of the Company with immediate effect, until further orders vice Ms. Kusumjit Sidhu.

The Board of Directors had approved their appointment as Directors with effect from 17<sup>th</sup> December 2013 and 20<sup>th</sup> May 2014 in terms of Article 67(4) of the Articles of Association read with Section 262 of the Companies Act, 1956 and 161 of the Companies Act, 2013. Shri Rajesh Kumar Singh & Shri S.K Bahri, are proposed for appointment as Directors in terms of Article 67(4) of the Article of Association of the Company read with Sections 160 of the Companies Act, 2013, for which a notice has been received from a Member.

Shri Antony Chacko who was appointed as Director of the Company resigned from the Company and he has been relieved from services with effect from 20.05.2014.

The Government has given additional charge of the Post of Chairman & Managing Director of the Company to Shri S.Girish Kumar, Managing Director, HMT (International) Ltd. with effect from 1.12.2013 vice the then Chairman & Managing Director Shri Harbhajan Singh.

The Board of Directors had approved the appointment of Shri S.Girish Kumar as Director with effect from 1<sup>st</sup>

December, 2013 in terms of Article 67(4) of the Articles of Association read with Section 262 of the Companies Act, 1956. Shri S.Girish Kumar, is proposed for appointment as a Director in terms of Article 67(4) of the Article of Association of the Company read with Sections 160 of the Companies Act, 2013, for which a notice has been received from a Member.

## 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

**( S. Girish Kumar )**  
Chairman & Managing Director

Place: Bangalore  
Date: 11-08-2014