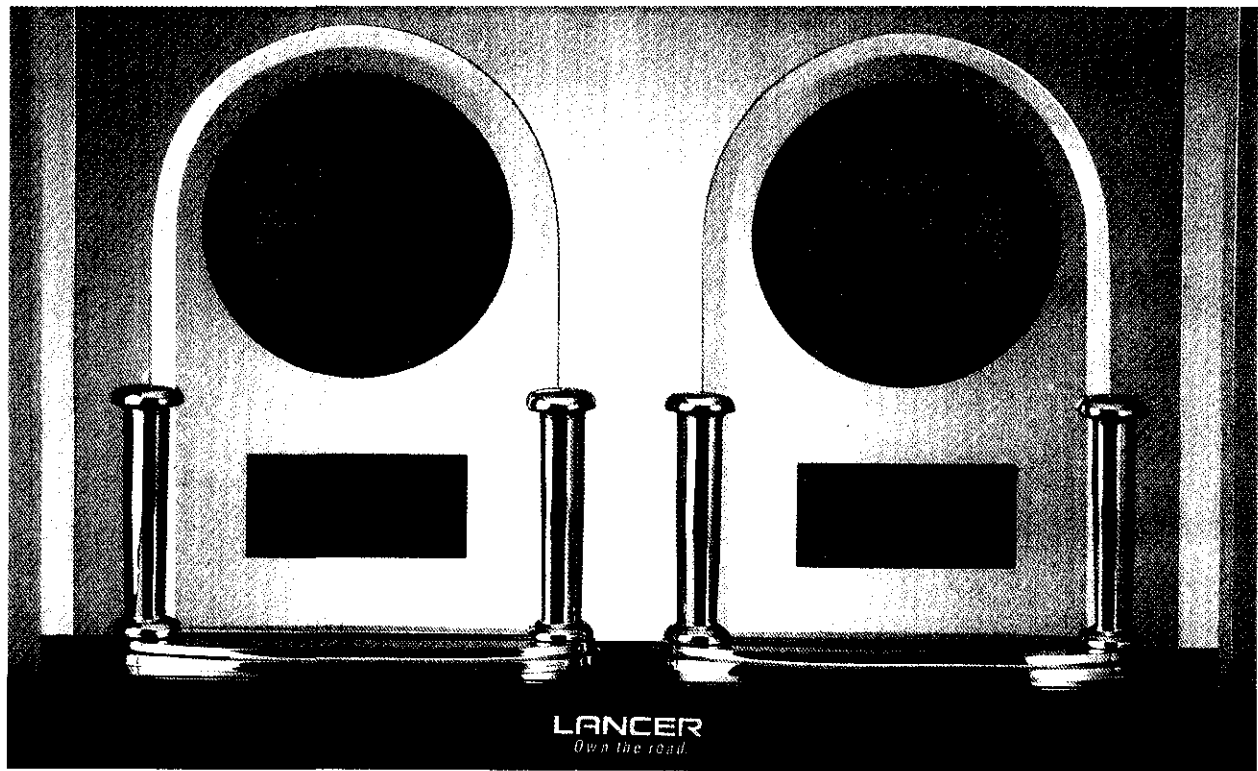


ANNUAL REPORT
AND ACCOUNTS
1999-2000



Hindustan Motors Limited



The 1999, JD Power IIQS and APEAL trophies for Mitsubishi Lancer



*Mr. C.K. Birla receiving the India Initial Quality, 1999 Trophy
for Mitsubishi Lancer from Mr. James D. Power IV*



HINDUSTAN MOTORS LIMITED ANNUAL REPORT

Year Ended March 31, 2000

Board of Directors

Shri C. K. Birla	Chairman
Shri G. D. Kothari	
Shri A. C. Muthiah	
Shri Pradip Kumar Khaitan	
Shri S. Mukherji	ICICI Nominee
Shri A. Sankaranarayanan	Executive Director
Shri Narayanan Sankar	
Dr. Anand C. Burman	
Shri Kranti Sinha	
Shri S. Doreswamy	IDBI Nominee

Company Secretary

Shri G. N. Pareek

Bankers

UCO Bank
Bank of India
United Bank of India
Bank of Baroda
State Bank of India

Auditors

Messrs. S. R. Batliboi & Co.
Chartered Accountants

Share Transfer Agents

MCS Limited
Sri Venkatesh Mangalam
Block - B, Ground Floor
24/26 Hemanta Basu Sarani
Calcutta 700 001

Registered Office

'Birla Building'
9/1, Rajendra Nath Mukherjee Road
Calcutta 700 001

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HINDUSTAN MOTORS LIMITED

Directors' Report to the Shareholders

Your Directors present their Fifty-eighth Annual Report together with the Audited Accounts of the Company for the year ended March 31, 2000.

Financial Results

The revenue account shows a loss of Rs. 6227.90 lacs after providing Rs. 4293.70 lacs for depreciation and Rs. 10.00 lacs for wealth tax. After taking into account the credit balance of Rs. 1451.13 lacs brought forward from the previous year, transfer of Rs. 5000.00 lacs from General Reserve and writing back Investment Allowance Reserve amounting to Rs. 70.10 lacs and excess provision for taxation in respect of previous years amounting to Rs. 0.29 lacs, there remains a credit balance of Rs. 293.62 lacs which your Directors have decided to carry forward. In view of the loss incurred, your Directors do not recommend any dividend for the year under review.

Operational Review

The performance of the Company's automotive divisions was adversely affected during the year under review particularly in the first half, due to the slow down in the economy. However, the automotive sector picked up in the second half of the year. The production of vehicles at Hindmotor was marginally higher at 21,013 numbers as against 20,010 numbers in the previous year, but the margins were under pressure. The sale of vehicles was also marginally higher at 21,170 numbers as against the sale of 20,134 vehicles in the previous year.

The Lancer Car manufactured by the Company in collaboration with Mitsubishi Motors, Japan has been well received in the market. The Lancer has been rated as "the best quality car" by J D Power Asia Pacific. The Lancer Car has also been recently rated as number 1 in the sales satisfaction survey conducted by J D Power Asia Pacific. The Company produced 8403 numbers of the Lancer car in 1999-2000, which was the first year of full production. The recently introduced SLX and SFX models of the Lancer Car have also been well received in the market. With the widespread dealer network and excellent reputation of the product, the Company is confident of a significant growth in the market for this car.

The project for the Rural Transport Vehicle had some implementation problems, which have been satisfactorily resolved. This product is essentially targeted at rural areas and considering the vast

market potential of the rural market, the Company hopes that the Rural Transport Vehicle would prove to be a profitable addition to its product line.

In the context of the emphasis placed on environment-friendly fuel, the Company introduced cars with Compressed Natural Gas (CNG) during the year. With greater availability of CNG in various cities, the vehicles with CNG would provide new growth opportunities to the Company.

The Company's Lancer and some Isuzu Ambassador models are Euro-II compliant too. The R & D Department of the Company is working for making all Ambassador models Euro-II compliant in a time bound programme.

Earthmoving Equipment Division

Recessionary conditions in the mining industry particularly in the Coal and Cement sectors affected the order input for EED. Production of Earthmoving equipment was 618 units in 1999-2000 (against 667 units in 1998-1999) and the sale was only 581 units (against 677 units in 1998-1999). This has affected the profitability of the Division during the year. With the pick up in infrastructure projects and to some extent in the mining industry, especially in the second half of the current financial year, the order book position is expected to improve.

Power Products Division

During the year under review the Company entered into an arrangement with Allison Transmissions Division of General Motors of USA for marketing on-highway transmissions. As a part of the arrangement, the Company will start marketing these transmissions from 2000-01 and would later review local production depending upon volumes. When this project is completed, your Company will be the biggest manufacturer and distributor both of on-highway and off-highway transmissions in the country. During the year under review, the production of transmissions was lower at 768 units as against 894 units in the previous year. Similarly, sales (including captive consumption) were marginally lower at 750 units as against 872 units in the previous year. Production and sales were adversely affected by lower off-take by some of the original equipment manufacturers.



Export Earnings

During the year under review, components and transmissions manufactured by Power Products Division, Isuzu Petrol Engines and CKD kits and truck parts manufactured by Auto Division, were exported for a total value of Rs. 1467.44 lacs.

Projects in Hand

With most of the projects of the Company having been commissioned during the year under review, the Company's expansion and modernisation scheme, by and large, has been completed. The Company introduced during the year upgraded versions of Ambassador, popularly known as 'Classic 1500 Diesel' and Trekker, which have been very well received in the market. The feedback received from the customers is encouraging

Finance

During the current year, the Fully Convertible Debentures (FCDs) aggregating to Rs. 53.42 Crores have been converted into Equity Shares at par as per the terms of the issue. Your Directors confirm that the proceeds of the FCDs, since converted into Equity Shares, are being used for the purposes stated in the Letter of Offer.

Status of Y2K Compliance

The transition to Y2K was smooth without causing any disruption in the operations of any of the divisions of the Company.

Depository System

You are aware that your Company has entered into separate arrangements with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Ltd (CDSL). This enables the shareholders to hold their shares in dematerialised form with either of these depositories. The Company's Registrar and Share Transfer Agents have necessary infrastructure to expedite the demat process.

Effective from January 17, 2000 the trading of equity shares of your Company on all Stock Exchanges where the shares of the Company are listed has been made mandatory in dematerialised form. Since this move facilitates quick transfers and prevents forgery, those of the shareholders who have not yet opted for this facility are advised to dematerialise their shares in their own interest. The Company is also in the process of tying up necessary

arrangement for simultaneous dematerialisation of the physical shares lodged for transfer.

Human Resources Development and Industrial Relations

Integration of the Indian economy with the global economy has led to a shift in the focus to people skills. To meet this change, the Company has charted a human resource policy that integrates people skills and needs of the organisation. The Company believes that the people constitute strength of an organisation. Proactive initiatives have been taken to establish systems that foster performance, transparency, fairness and empowerment at all levels. The work processes in the Company are team driven. The Company has created a culture of knowledge sharing and is endeavouring to make it a way of life. Individual achievements and attainment of team objectives have been inter-linked.

Particulars under Section 217 of the Companies Act

The particulars of employees, as required under Section 217 (2A) of the Companies Act, 1956, read with the Rules framed thereunder, are given in a separate Annexure to this Report.

Additional information relating to the Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo, required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 has been given in the Annexure to this Report.

Auditors

Observations made in the Auditors' Report are self-explanatory and, therefore, do not call for any further comments under Section 217A(3) of the Companies Act, 1956. Your Directors request you to reappoint Auditors for the current financial year and to approve increase in their remuneration as specified in the concerned resolution attached to the notice convening the Fifty-eighth Annual General Meeting.

Subsidiary Companies

The latest accounts of the subsidiary companies, namely, Hindustan Motor Finance Corporation Limited and HM Export Limited are given in the Annexures.

HINDUSTAN MOTORS LIMITED

Directors

During the year under review, Dr. Anand C. Burman, Shri C. K. Birla and Shri Narayanan Sankar retire from the Board of Directors of the Company by rotation and being eligible offer themselves for reappointment.

Appreciation

Your Directors wish to acknowledge and thank the Central and State Governments for their support and

guidance. Your Directors also thank our esteemed shareholders, customers, business associates, financial/investment institutions and commercial banks for the faith reposed by them in your Company and its Management. Your Directors also place on record their deep sense of appreciation for dedication and commitment of employees of your Company. They have been and continue to be instrumental in laying down Company's future plans and policies.

9/1 Rajendra Nath Mukherjee Road,
Calcutta - 700 001, the 2nd June, 2000.

C. K. Birla
P. K. Khaitan
Kranti Sinha
S. Doreswamy
A. Sankaranarayanan
DIRECTORS



HINDUSTAN MOTORS LIMITED

Annexure to the Directors' Report

Information Under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 (As Amended) and forming part of the Directors' Report for the year ended 31.03.2000.

A) Employed throughout the financial year and were in receipt of Gross remuneration in aggregate of not less than Rs. 600000/- p.a.

Name/Age	Designation / Nature of Duties / Experience (Years)	Gross Remuneration (Rs.)	Net Remuneration (Rs.)	Qualification	Date of commencement of Employment	Particulars of last employment Employer / last post held / No. of years-months.
Bhandari B. C. (61)	Resident General Manager (37)	625329	416619	B.Com., LL.B.	15.06.1964	Orient Steel & Wire Ind. (P) Ltd., Law Officer / 01
Bhandari R. C. (57)	Dy. General Manager - TPM (EED) (35)	624228	404863	B. Sc. Engg. (Mech.), Cert. In M.Mgmt.	29.01.1977	Ashok Leyland Ltd., Asst. Manager Purchase /06
Bhaumik S. K. (52)	Gen. Manager (RTV) (32)	714995	303226	B. E. (Mech.)	03.11.1997	Gabriel India Ltd. Gen. Manager /18
Chandran K. (42)	Gen. Manager Crop. Planning (EED) (17)	714666	356897	B. Tech., P.G.D.M.	14.12.1998	Ashok Leyland Finance Ltd., Asst. Gen. Manager / 02
Chatterjee Prabal (56)	Sr. Vice President (Auto) (33)	1005031	624281	M. Sc., M.L.M.M.	01.07.1993	Jenson & Nicholson (India) Ltd., Gen. Mngr. - Materials /07-05
Dutta B. K. (54)	General Manager-Management Services (32)	806884	612697	Ph.D. (USA), MBA, B.Tech. (Elect.)	07.04.1986	A. F. Ferguson & Co. Mngr.-Consultancy Divn. /02
Gopalakrishnan R. (44)	Asst. Gen. Manager - Finance (EED) (22)	619975	421730	B.A., A. I.C.W.A.	30.11.1992	H.M.T. Limited, Asst. G.M. Finance / 12
Gupta S. C. (53)	Chief General Manager - Materials (CCP) (32)	888079	415777	B.Sc. Engg. (Mech.)	03.10.1966	None
Kannan K. S. (50)	Asst. Gen. Manager - Loader (EED) (26)	649695	440566	B. E. (Mech.)	26.11.1973	None
Khargonkar B. S. (51)	Vice-President (PUP) (28)	1015506	408370	B. E. (Mech.)	08.08.1985	Kelvinator India Ltd. Manager (Q.C.) /03
Krishna Kumar H. (52)	Dy. Gen. Manager - Materials (PPD) (27)	727689	587295	B. E. (Mech.)	12.02.1980	Ashok Leyland Ltd. Purchase Dev. Engineer /07
Kulkarni N. R. (66)	Group Financial Advisor (47)	970168	566948	M. Com., C.A.I.I.B.	01.02.1977	State Bank of India, Chief Officer (Comm & Ins Bnkg) /20
Mittal U. K. (58)	General Manager - Products (CCP) (36)	738857	332993	B. E. (Mech.)	20.10.1964	None
Munshi D. (54)	Factory Manager (33)	635046	416197	B. Sc., MIE, C.Engr., MISE, MKIPM	01.11.1966	None
Narayanaswamy R. (50)	Asst. Gen. Manager Q.A. &R. (EED) (27)	640926	437956	B.Sc. (Engg.)	25.06.1992	Ashok Leyland Ltd., Asst. Manager /10-02
Obhrai R. M. (55)	Gen. Manager - New Business Dev. (Auto) (29)	652459	477532	BA, LL.B., (IIFT), MBA	18.01.1998	STI Products India Ltd., Gen. Manager - Mktg. / 04-06
Pareek G. N. (44)	Company Secretary (23)	935575	613674	B.Com. (Hons.), LL.B., A.C.S., A.I.C.W.A.	23.10.1997	ITC Classic Finance Ltd. Asst. Vice-President /04
Rajamani M. (55)	Asst. Gen. Manager W.L.P. (EED) (33)	645642	431404	L.M.E.	10.01.1972	Venkateswara Cable & Plastic In-charge / 01
Rajendran Eric Paul (42)	Gen. Manager - Corp. HRD (EED) (18)	993751	721794	M.A. (Social Work) Spl. in H.R.	20.04.1998	Nagarjuna Fert. & Chemicals Ltd., G.M. Group HR Services / 03-11
Ramesh Joshua P. (48)	Dy. Gen. Manager-Technical (PPD) (25)	711468	568345	B.E. (Mech.)	04.01.1988	Ashok Leyland Ltd. Asst. Manager /13-03
Rao C. K. (46)	Vice-President-Marketing (CCP) (21)	1130249	443689	B.E. (Mech.), (Hons.), P.G.Dip. (I.T.)	07.09.1992	DCM Toyota Sr. Manager /08
Rao Shankar (49)	General Manager - Q. A. (Auto) (23)	606148	399774	B.Tech. (Met.)	29.03.1999	Falcon Tyres Ltd., President / 00-09
Sai Shanker K. (52)	General Manager - Parts. (EED) (28)	766303	538906	B.Sc., B.E.	06.04.1972	None
Sankaranarayanan A. (58)	Executive Director (36)	2593588	1415408	B.E. (Mech.)	02.12.1983	The English Electric Co. (India) Ltd. Gen. Mngr. /03
Santhanam R. (46)	Executive Vice President (22)	1841034	362412	B.Tech., P.G. Dip. (Management)	31.03.1993	Escort Ltd. Gen. Manager-Marketing /07-05
Saraf A. K. (54)	Chief Gen. Manager - Materials (Auto) (31)	748895	283169	B.Sc. Engg. (Mech.)	01.08.1970	Orient General Ind. Ltd. Executive Trainee /02
Sekar V. (50)	Gen. Manager - Manufacturing (EED) (25)	852788	559317	B.E., M.B.A.	27.03.1978	Otis Elevator Co. India Ltd., Management Trainee /02
Shyam Sundar G. (41)	Vice-President-Operations (CCP) (19)	942497	412980	B.Com., PGDIRPM	24.05.1995	Tube Investments India Ltd. Dy. Gen. Mngr. Personnel /01-01
Singhi S. P. (61)	President (Administration) (40)	1688324	989061	B.Sc.	26.03.1960	None
Srinivasan R. (48)	Vice-President (PPD) (26)	1078217	839159	B.Sc., D.M.I.T.	08.08.1974	None
Subramanian S. R. (45)	Div. Gen. Manager (EED) (24)	924493	614479	B.E. (Mech.)	27.08.1976	None
Tamhane Subhash (52)	General manager - Tech. Services (PUP) (22)	755253	317449	B.E. (Mech.)	12.02.1978	Scooters India Ltd. Asst. Engineer /02-09
Tiwari U. C. (47)	Gen. Manager - Internal Audit (25)	635184	398689	B.Tech. (Hons.), PGDBM, LL.B.	01.10.1997	TELCO Sr. Manager / 23
Varadhan T. E. S. (44)	Vice-President-Corporate Finance (19)	100612	635850	B.Com., A.C.A., A.I.C.W.A.	01.08.1983	Carborandum Universal Ltd. Accts. Superintendent /02
Venkataraman S. (52)	Vice-President-Corp. R&D (EED) (29)	1009523	623338	B.Sc., D.M.I.T.	15.09.1971	None

B) Employed for a part of the financial year and were in receipt of gross remuneration in aggregate of not less than Rs. 50000/- p.m.

Name/(Age)	Designation/Nature of Duties/ Experience(Years)	Gross Remuneration (Rs.)	Net Remuneration (Rs.)	Qualification	Date of commencement of Employment	Particulars of Last employment Employer/last post held/ No. of years-months.
Andy Goodridge (36)	Manager - Manufacturing (CCP) (20)	1446515	760877	DPM, NZIL, ABBR, CGMVC	17.10.1999	Mitsubishi Motors NZ, Prod. Manager / 02
Choudhury K. K. (65)	Vice-President (Commerical) (38)	1112778	647462	MCom, LLB., FCA, MBIM (UK)	28.08.1962	S. R. Batliboi & Co., Senior Assistant / 01
Damani K. R. (59)	General Manager - Finance (PUP) (34)	517711	168935	B.Com., ACA	01.08.1970	Orient General Ind. Ltd., Asst. Accountant / 04
Damani R. R. (67)	Vice-President (Int. Audit & Legal) (48)	970952	467513	B.A., LL.B	01.06.1951	None
Mundhra B. G. (56)	Vice-President (EED) (34)	952952	579952	B.E (Mech.)	23.08.1966	None
Prasad G. N. (49)	Asst. General Manager - MIS (EED) (27)	513388	369372	D.M.I.T., M.Sc.	27.03.1992	Bharat Electronic Ltd., Sr. Manager /04-03
Ravishankar P. (39)	General Manager - Mktg. (EED) (13)	574994	509187	B.E. (Mech.), MBA	14.07.1999	Tata Finance Ltd., Chief General Manager / 11
Reddy G. L. (37)	Vice-President - Mktg. (Auto) (21)	564826	388136	P.G.Dip. in Management	01.07.1999	T.C.E. (India) Ltd., Vice-President / 05
Rungta K. D. (69)	Exe. Vice-President - Corp. Finance (48)	1857049	898686	I.Com.	20.07.1951	None
Sundaresan P. (52)	Sr. Vice-President (CCP) (30)	674095	158191	B.E. (Mech.)	20.02.1984	Sundaran Claytons Ltd., Asst. Manager - Process Plng. /08

Gross remuneration includes actual payments and/or taxable value of perquisites and Company's contribution to Provident & Superannuation funds (excluding gratuity and other parting benefits).

Net remuneration is arrived at by deducting from the gross remuneration, income tax, Company's contributions to provident and superannuation funds, and the monetary value of non-cash perquisites wherever applicable.

Nature of employment - all appointments are non-contractual except in the case of Executive Director.

Other terms and conditions are as per rules of the Company.

None of the above employees is a relative of any of the Directors of the Company.

AUTO denotes Automobile Division (Hindmotor)

EED denotes Earthmoving Equipment Division (Trivellore).

PPD denotes Power Product Division (Hosur).

PUP denotes Power Unit Plant (Pithampur).

CCP denotes Chennai Car Plant (Trivellore).

RTV denotes Rural Transport Vehicle Division (Pithampur).

C. K. Birla
P. K. Khaitan
Kranti Sinha
S. Doreswamy
A. Sankaranarayanan
DIRECTORS

9/1, Rajendra Nath Mukherjee Road
Calcutta - 700 001, the 2nd June, 2000



Annexure to the Directors' Report

[Additional information given as required under Section 217 (1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 for the year ended 31st March, 2000.]

A. ENERGY CONSERVATION

I. Important measures taken

- a) Installation of auto power factor improvement capacitors across load centres to maintain power factor above 0.98
- b) Efficient water management
- c) Reduction in wastage of compressed air through efficient monitoring of air leakages
- d) Installation of low capacity compressors, wherever feasible
- e) Installation of energy saving devices on lighting circuits
- f) Replacement of chokes with electronic ballast for fluorescent tube lights
- g) Incorporation of starter arrangement with timer control for automatic switch off of lights outside working hours
- h) Automatic control of street lights using time switch
- i) Replacement of higher wattage lamps with lower ratings, wherever feasible
- j) Control circuit modification in various machines to avoid idle running of motor

II. Impact of above energy conservation measures

- i) Total savings : Rs. 219.94 lacs
- ii) Energy saving per unit of output at
 - a) Auto Division, Uttarpara : Rs. 557.96
 - b) Power Unit Plant : Rs. 134.00
 - c) Earthmoving Equipment Division : Rs. 700.00
 - d) Power Products Division : Rs. 268.00
 - e) Car Plant, Tiruvallur : Rs. 296.66
- iii) Energy saving against total cost of energy : 7.88%

B. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

I. Inhouse Major Research & Development (R&D)

1. a) Introduction of new styled Hindustan Trekker 5 Isz with 5 speed gear box
- b) Launch of HM Porter as a load carrier
- c) Adaptation of all auto products to Euro-I/II emission norms
- d) Initiation of prototype trial on LPG
- e) Introduction of new Lancer variants - SLX and SFX
- f) Application engineering for adaptation of petrol engines for gensets, forklifts, MUVs; and diesel engines for bus airconditioning and marine applications
- g) Validation of on-highway transmissions at various state transport undertakings

HINDUSTAN MOTORS LIMITED

- h) Design of 100 HP cycling transmission
 - i) Design of electronic valve body for twin turbine transmission and development of prototype
 - j) Design of 44 Ton Rear Dumper and development of prototype
 - k) Design of 100 HP Dozer
 - l) Upgradation of 50HX backhoe with rigid chassis design and modified swing cylinder arrangement
 - m) Introduction of Z Bar Linkage and ZF Automatic Transmission on 2071 Loader
 - n) Improvement in Cabin for 35 Ton and 40 Ton Dumpers
2. Benefits derived as a result of the above efforts are :
- a) Enhanced aesthetic value and intrinsic qualities of the product resulting in lower repair and maintenance costs for customers
 - b) Cost reduction, imports substitution and improvement in brand image of products
 - c) Environment protection and energy conservation
 - d) Compliance to regulatory norms/requirements
3. Future plan of action :
- a) Achieve conformance to Euro II emission norms for all auto products
 - b) Introduce moulded roofliner on Ambassador for better finish and aesthetic appeal
 - c) Develop FRP full body Trekker
 - d) Install power steering on Ambassador 1.8 Isz
 - e) Upgrade Contessa with higher size road wheels/tyres, new facia, upgraded gear box and rear axle
 - f) Develop Euro-II compliant multi-fuel (including LPG and CNG) engines
 - g) Develop/install 1 ltr petrol engine and DW-8 Peugeot diesel engine on Ambassador
 - h) Develop new Lancer model with higher horse power engine and automatic transmission
 - i) Develop exhaust emission control system meeting Euro-III norms for Lancer
 - j) Install in-house test facilities for critical components
 - k) Identify new application areas for our engines in non-automobile sectors such as compressors, prime movers, crane etc. with LPG/CNG as fuel
4. The expenditure incurred for R&D during the year was :

Capital Expenditure	: Rs. 103.31 lacs
Recurring	: Rs. 637.47 lacs
Total	: Rs. 740.78 lacs
Percentage of Turnover	: 0.40%