



Hindustan Motors Limited

Annual Report & Accounts 2009-2010



Late Shri G. P. Birla

2nd August 1922 – 5th March 2010

We pay our respectful homage to the memory of Late Shri G. P. Birla (Padma Bhushan), a pioneering industrialist, a dedicated humanist and a great philanthropist.

He was the Chairman of the Company from 1982 to 1997. Through his industrial, philanthropic, educational and scientific pursuits he touched the lives and hearts of many. He will be fondly remembered for his compassion and humility.

*वैष्णव जन तो तेने कहिये, जे पीड़ पराई जाणे रे ।
पर दुःखे उपकार करे तोये, मन अभिमान न आणे रे ॥*

(This favourite bhajan of Mahatma Gandhi reflects
Late Shri G. P. Birla's philosophy in life)

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HINDUSTAN MOTORS LIMITED

ANNUAL REPORT

Year Ended March 31, 2010

Board of Directors

Shri C. K. Birla	Chairman
Shri Naresh Chandra	
Shri Pradip Kumar Khaitan	
Dr. Anand C. Burman	
Shri Kranti Sinha	
Shri Yogesh Kr. Rastogi	ICICI Nominee
Shri A. Sankaranarayanan	
Shri Subroto Gupta	IDBI Nominee
Shri Vijay Kumar Sharma	LIC Nominee
Shri R. Santhanam (upto 18.05.2010)	Managing Director
Shri Manoj Jha (w.e.f. 19.05.2010)	Managing Director

Chief Financial Officer & Company Secretary

Yogesh Goenka

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

Karvy Computershare Pvt. Limited
Plot Nos. 17 to 24 Vittal Rao Nagar
Madhapur, Hyderabad 500 081
Telephone No. : (040) 4465 5000
Fax No. : (040) 2342 0814
E-mail : mahendra.singh@karvy.com
Kolkata Office : (033) 2464 7231, 2464 4891

Registered Office

'Birla Building', 10th Floor
9/1, Rajendra Nath Mukherjee Road
Kolkata 700 001

Notice to the Shareholders

NOTICE is hereby given that the Sixty-eighth Annual General Meeting of the Shareholders of HINDUSTAN MOTORS LIMITED will be held at Kolkata Ice Skating Rink, 78, Syed Amir Ali Avenue, Kolkata 700 019, on Tuesday, the 10th August, 2010 at 2.00 PM to transact the following business:-

AS ORDINARY BUSINESS :

- (1) To receive, consider and adopt the Audited Statements of Account of the Company together with the Directors' Report as also the Auditors' Report thereon for the financial year ended 31st March, 2010.
- (2) To appoint a Director in place of Shri Naresh Chandra who retires by rotation and being eligible offers himself for re-appointment.
- (3) To appoint a Director in place of Shri Kranti Sinha who retires by rotation and being eligible offers himself for re-appointment.
- (4) To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**, relating to the appointment of the Auditors of the Company:

"RESOLVED THAT Messrs. S. R. Batliboi & Co., Chartered Accountants, the retiring Auditors, be and they are hereby re-appointed as Auditors of the Company under Section 224 and other applicable provisions, if any, of the Companies Act, 1956 to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at a gross remuneration of Rs.22,00,000/- (Rupees Twenty-two lacs only) per annum exclusive of reimbursement of out-of-pocket expenses, as may be incurred by the Auditors on travelling, boarding and lodging at the Company's factories and its other branches outside Kolkata which shall also be borne by the Company and that the said remuneration be paid to the Auditors in four equal quarterly installments."

AS SPECIAL BUSINESS :

- (5) To consider and, if thought fit, to pass with or without modification, the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Article 107 of the Articles of Association of the Company and Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such consents, approvals and permissions including from the Central Government, as may be needed, Shri Manoj Jha be and he is hereby appointed as the Managing Director of the Company not liable to retire by rotation for a period of 5 (five) years with effect from 19th May, 2010 at a remuneration and on the terms and conditions set out below:-

- | | |
|--|--|
| 1. Salary (basic) per month : | Rs.2,00,000/- (Two lacs) in a time scale of Rs.2,00,000-Rs.4,00,000/-. Annual increment shall be payable on 1st April of each year (starting from April, 2011) as may be decided by the Board of Directors or Remuneration Committee of Directors and will be merit based and would take into account the Managing Director's performance and the Company's performance as well. |
| 2. Perquisites (including allowances) :- | |
| a) Special Allowance | Rs. 2,25,000/- (Two lacs and twenty five thousand) per month. |
| b) Personal Allowance | Rs. 2,25,000/- (Two lacs and twenty five thousand) per month. |
| c) Supplementary Allowance | Rs. 2,25,000/- (Two lacs and twenty five thousand) per month. |
| d) Medical Allowance | Rs. 15,000/- (Fifteen thousand) per month. |
| e) Other Allowances | Rs. 1,60,000/- (One lac and sixty thousand) per month |
| f) Leave Travel Allowance | The yearly payment in the form of allowance shall be equivalent to one month's salary (basic). |
| g) Housing I | Expenditure incurred by the Company on hiring furnished accommodation for the Managing Director subject to a maximum rent of Rs. 1 lac per month. |

OR

Housing II	In case Company owned and furnished accommodation is provided no allowance shall be paid.
	OR
Housing III	In case no accommodation - owned or hired - is provided by the Company - the Managing Director shall be entitled to House Rent Allowance of Rs. 1 lac (One lac) per month.
h) Medical reimbursement	Expenditure incurred by the Managing Director and his family, subject to a ceiling of Rs. 15,000/- per annum.
i) Contribution to Provident Fund and Gratuity will be as per the Rules / Scheme of the Company.	
j) Leave as per the Rules of the Company. Encashment of unavailed leaves at the end of the tenure or at specified intervals will be as per Scheme of the Company.	
k) Provision of one car with driver for use in relation to Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone shall be billed by the Company to the Managing Director. Actual expenses relating to provision of second car with driver for personal purposes shall be treated as perquisites.	
3. Performance Variable Pay:	In addition to the above, the Managing Director shall be entitled for a Performance Variable Pay of a maximum of Rs.10,00,000/- per annum. The exact quantum payable will be based on extent of achievement against the deliverables as decided by the Board of Directors and/or Remuneration Committee of Directors of the Company from time to time. For the Financial Year 2010-11, payment of Performance Variable Pay will be paid proportionate to the months worked.
4. Commission:	Such remuneration by way of commission, in addition to the salary and perquisites (including allowances) payable, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors or Remuneration Committee of Directors of the Company at the end of each financial year, subject to the overall ceiling stipulated in Sections 198 and 309 of the Companies Act, 1956. The specific amount payable to the Managing Director will be based on performance as evaluated by the Board of Directors or Remuneration Committee of Directors and will be payable annually after the Annual Accounts have been approved by the Board of Directors of the Company.
Minimum Remuneration:	The remuneration specified at Sl. Nos.1 to 3 above subject to approval of Central Government shall be paid to Shri Manoj Jha as and by way of Minimum Remuneration notwithstanding any loss or inadequacy of profit in any financial year during the tenure of his employment as Managing Director.

RESOLVED FURTHER THAT the tenure of the employment of Shri Manoj Jha as Managing Director of the Company is terminable by either side with a notice period of six months or Company paying six months salary (basic) in lieu of such notice."

Registered Office :
"Birla Building"
9/1, Rajendra Nath Mukherjee Road
Kolkata 700 001
Dated, the 1st June, 2010

By Order of the Board
For HINDUSTAN MOTORS LTD.
Yogesh Goenka
Chief Financial Officer &
Company Secretary

NOTES :

1. **A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a member of the Company. The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.**
2. In terms of Articles 90 and 91 of the Articles of Association of the Company Shri Naresh Chandra and Shri Kranti Sinha, Directors of the Company retire by rotation in the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Information about such Directors as stipulated under Clause 49 of Listing Agreement with the Stock Exchanges in India, are provided in the Report on Corporate Governance forming part of the Annual Report. The Board of Directors of the Company recommends the respective re-appointments of the aforesaid Directors.
3. Members/Proxies should bring the enclosed Attendance Slip duly filled in for attending the meeting along with a copy of the Annual Report. Corporate members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of Board Resolution authorizing their representatives to attend and vote on their behalf in the meeting.
4. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID Numbers and those who hold the shares in physical form are requested to write their Folio Number(s) in the Attendance Slip for attending the meeting.
5. Members who have shareholdings in multiple accounts in identical names or joint accounts in the same order are requested to send all the share certificate(s) to the Registrar & Share Transfer Agents, Karvy Computershare Private Limited at Plot Nos.17 to 24 Vittal Rao Nagar, Madhapur, Hyderabad - 500081 for consolidation of all such shareholdings into one account to facilitate better service.
6. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, the 3rd August, 2010 to Tuesday, the 10th August, 2010 (both days inclusive).
7. (a) Members are requested to notify change of address, if any, with PINCODE to the Company or to its Share Transfer Agents quoting reference of their folio number and in case their Shares are held in dematerialised form, this information should be passed on to their respective Depository Participants.
(b) In case the mailing address mentioned in this Annual Report is without the PINCODE, members are requested to kindly inform their PINCODE immediately.
8. A member desirous of getting any information on the accounts or operations of the Company or share/debenture related matter is requested to forward his/her query(ies) to the Company at least seven days prior to the meeting so that the required information can be made available at the meeting.
9. Individual shareholders can now take the facility of making nomination of their holding. The nominee shall be the person in whom all rights of transfer and/or amount payable in respect of Shares shall vest in the event of the death of the shareholder and the joint-holder(s), if any. A minor can be a nominee provided the name of the guardian is given in the nomination form. Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu undivided family, holder of Power of Attorney cannot nominate. For further details in this regard shareholders may contact Karvy Computershare Private Limited, Hyderabad, the Registrar and Share Transfer Agents of the Company.
10. In all correspondence with the Company or with its Share Transfer Agents, members are requested to quote their folio number and in case their Shares are held in the dematerialised form, they must quote their Client ID and their DP ID Numbers.
11. The shares of the Company are in compulsory demat segment. Those members who still continue to hold shares in physical form, are requested to get their shares dematerialised at the earliest.
12. Securities and Exchange Board of India vide its circulars dated 27th April, 2007 and 25th June, 2007 has made it mandatory with effect from 2nd July, 2007 for every participant in the securities/capital market to furnish income tax Permanent Account Number (PAN). Accordingly, all the shareholders (including joint holders) holding shares in physical form are requested to submit copy of their PAN Card duly attested by the Notary Public/Gazetted Officer/Bank Manager under their official seal stating their full name and address, registration number to our Registrar & Share Transfer Agents, Karvy Computershare Private Limited.

Annexure to the Notice

Explanatory Statement

The following Explanatory Statement relating to Special Business at item No. 5 of the accompanying Notice sets out all material facts as required under Section 173 of the Companies Act, 1956.

Item No. 5

To fill in the vacancy caused by resignation of Shri R. Santhanam, the Board Members considered in the interest of the Company, to appoint Shri Manoj Jha, as Whole-time Director designated as Managing Director of the Company.

Accordingly, the Board Members at its meeting held on 1st May, 2010, has appointed Shri Manoj Jha as Whole-time Director designated as Managing Director for a period of five years with effect from 19th May, 2010. The salient terms and conditions of the appointment are set out in the Resolution in Item No.5 of the subjoined Notice.

The remuneration payable to Managing Director has also been approved by Remuneration Committee of Directors at its Meeting held on 1st May, 2010.

The appointment is subject to the approval of the shareholders in General Meeting and Central Government.

The information required pursuant to para 1(C)(iv) of Section II of Part II of Schedule XIII of the Companies Act, 1956 are as under :

I. GENERAL INFORMATION

- (1) Nature of Industry:
Manufacture of Automobiles and Components namely Castings, Forgings and Stampings
- (2) Date or expected date of commencement of commercial production:
The Company, incorporated in the year 1942, is an existing operating Company.
- (3) Financial performance based on given indicators:

	Rs. in lacs		
Financial Year ended	31.03.2010	31.03.2009	31.03.2008
Gross Sales & Services	73599.27	77070.07	85300.76
Profit/(Loss) before Interest, Depreciation and Taxes	(459.02)	(952.34)	8698.54
Interest Payment	1103.76	1234.67	2002.82
Depreciation	1763.59	2065.95	2114.52
Profit/(Loss) before Tax	(3326.37)	(4252.96)	4581.20
Provision for Tax	1783.65	(367.30)	1497.05
Profit/(Loss) after Tax	(5110.02)	(3885.66)	3084.15
Equity Share Capital	16125.68	16125.68	16125.68

- (4) Export performance and net foreign exchange collaborations:

	Rs. in lacs		
Financial Year ended	31.03.2010	31.03.2009	31.03.2008
Foreign Exchange Earnings (FOB value of Export)	4.43	64.27	31.70

- (5) Foreign investments or collaborators, if any:
The Company has a wholly owned subsidiary in USA. The Company has License Agreements and Component Supply Agreements with Mitsubishi Motors Corporation, Japan for manufacture/ assembly of cars and utility vehicles.

II. INFORMATION ABOUT THE APPOINTEE

(1) Background details :

Education: Shri Manoj Jha, Managing Director of the Company is a B. Tech (Production Engineering).
Career: Shri Manoj Jha is a professional with B.Tech in Production Engineering. He has over 27 years of experience (over 15 years as leadership role) in domestic assignments. During his career Shri Manoj Jha has worked with Tata Motors, Eicher Tractors, Minda Industries Ltd., Hydraulics Ltd., Minda SAI Ltd and Escorts Ltd. (Engineering Division).

Shri Jha has rich and vast experience in automobile and engineering industry.

(2) Past remuneration :

Rs. in lacs		
2009-10	2008-09	2007-08
95.00	86.42	56.21

(3) Job profile and his suitability:

The Managing Director is entrusted with substantial power of management of the whole or substantially the whole of affairs of the Company subject to superintendence, control and directions of the Board. He will also perform such duties and exercise such powers as have been or may from time to time be entrusted or conferred upon him by the Board.

Shri Manoj Jha is a Senior Corporate Executive of proven caliber and excellence and is having wide ranging experience in re-building, re-branding and turning around of organisations. He has experience of management of all aspects in an organisation. He has successfully led many strategic initiatives, re-engineering of operations, increasing efficiencies, operation cost reduction through material cost optimization.

The professional services of Shri Manoj Jha and his in-depth knowledge of industry would be very valuable for the Company in the context of the present situation in the Company. With sufficient past experience in successfully turning around organisations, Shri Manoj Jha is best suited for the position.

(4) Remuneration proposed :

As referred in Item No.5 of the Notice of the Annual General Meeting.

(5) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person :

The executive remuneration in the industry has increased manifold in last few years. Having regard to type of industry, trends in industry, size of the Company, the responsibilities, academic background and capabilities of Shri Manoj Jha, the proposed remuneration is at par with the remunerations being paid to such senior executives by both domestic and multinational organizations in the Corporate Sector.

(6) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any :

Shri Manoj Jha has no pecuniary relationship with the Company other than his remuneration as Managing Director of the Company. He is purely a professional executive of the Company. There is no managerial personnel related to Shri Jha.

III. OTHER INFORMATION

(1) Reasons of loss or inadequate profit :

The Company has primarily been focused on the automobile business with its Plants in Uttarpara and in Chennai as well as component business from the Uttarpara Plant. The Chennai Plant manufactures and markets Mitsubishi vehicles namely Lancer, Cedia, Pajero, Outlander and Montero. The Uttarpara Plant manufactures Ambassador and small goods carrying mini truck called Winner.

The Lancer car was introduced in 1998 and the Cedia was introduced in 2006, both are facing stiff competition from newer models in the mid-size segment. The Company introduced new models, Pajero, Outlander and Montero in the Sports Utility Vehicles segment but the volumes started increasing only from 2006-07. However beginning third quarter of 2008-09, in the wake of global economic problems, the volumes declined and the Plant temporarily started incurring losses. The problem was compounded further by adverse movement in foreign exchange rates from 2008 onwards affecting the sales and profitability. By September 2009 the Company initiated counter measures and opened dialogue with its foreign collaborator and was able to persuade the collaborator to reduce kit prices in order to stay competitive in the market. The gains of such reduction, due to inherent lead time in shipments, became available to the Company only in March 2010 and this Plant turned profitable once again.

During the last couple of years, the Company's Uttarpara Plant has been experiencing steady decline in volumes. The Ambassador car is predominantly sold in taxis, institutional and commercial segment and the sales have been declining due to competition from mid-size car and utility vehicles. In the year 2009-10, sale of Ambassadors in the taxi segment improved due to large scale fleet replacements in Kolkata city. While the Plant had registered significant increases in volume, the profitability did not improve commensurately because most of the increased volume came from relatively lower margin variant of yellow taxis. The Company introduced a new small goods carrying vehicle called "Winner" which is expected to contribute significant volumes in the next few quarters especially with its CNG version.

The Company also diversified into Component business of manufacturing and selling castings, forgings and stampings. Of these three businesses, stamping business had good profit potential. However the Company's efforts to realize this profitable business was stymied by a very unfortunate and prolonged labour strike in 2007 wherein the customer who had handed over their tools to the Company had to approach the Hon'ble High Court at Calcutta to regain possession of their tools. The Company's efforts to grow the component business were further adversely affected due to the downturn in the automobile industry in 2008-09.

The Company had earned profits from sale of various assets from time to time over the last few years but the operating losses more than offset the profits thereby resulting in accumulation of losses over the last few years.

(2) Steps taken or proposed to be taken for improvement:

The Company has been relentlessly making efforts to increase revenue by introducing new products and new features in existing products as well as to reduce costs and make its operations profitable. The Company has taken following initiatives to improve its performance:-

- a) Introduction of new models from Mitsubishi Motors in Chennai Car Plant;
- b) Introduced new diesel as well as alternate fuel driven Mini Truck, Winner in the growing markets both domestic as well as exports;
- c) Embarking on developing a set of auto component business namely supplying of castings, forgings and stampings to other manufacturers in the automobile and other industries;
- d) Modernization of manufacturing facilities to improve efficiency and reduce costs;
- e) Reduce the input and other overheads by value engineering, rationalisation of work force and other cost reduction measures;
- f) Taken necessary steps to make the engines of most of its vehicles meet the emission norms of Bharat Stage-IV before the date set for the purpose by the Government i.e. 1st April, 2010;

- g) Thrust being given to dealer development activity to strengthen the distribution network;
- h) Revenue from development of Integrated IT Township and Automotive Ancillary Park.

(3) Expected increase in productivity and profits in measurable terms:

With the above steps being taken by the Company, the productivity and profitability of the Company is expected to improve in the coming years.

IV. DISCLOSURES

The shareholders of the Company have been informed of the remuneration package of Shri Manoj Jha.

All elements of remuneration package are given in the Corporate Governance Report annexed to the Directors' Report which should be read in conjunction with the Notice of 68th Annual General Meeting.

The appointment and remuneration payable to Shri Manoj Jha as Managing Director require approval of the Company in General Meeting in terms of Part III of Schedule XIII of the Companies Act, 1956 and the remuneration so payable to him also requires prior approval of the Central Government under Section 309 read with Schedule XIII of the Act.

The Company has received a Notice under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose the name of Shri Manoj Jha as a Director of the Company.

Accordingly, your Directors recommend the resolution set out in Item No.5 of the convening Notice for your approval.

An abstract of the terms of appointment of Shri Manoj Jha Managing Director has been circulated to the Members as required under Section 302 of the Act.

Except Shri Manoj Jha, no other Director is in any way concerned or interested in the aforesaid Resolution.

A copy of the Notice with Explanatory Statement and the Minutes of the Meetings of the Board of Directors and Remuneration Committee both held on 1st May, 2010 and a copy of the Agreement between the Company and Shri Manoj Jha in this connection will be kept open for inspection by the Shareholders at the Registered Office of the Company situated at "Birla Building", 10th Floor, 9/1 R. N. Mukherjee Road, Kolkata - 700 001 between 10 AM and 12 Noon on any working day of the Company.

The information required in terms of clause 49 of the Listing Agreement is given hereunder.

Details of Managing Director seeking appointment at the ensuing Annual General Meeting:

Name of Director	: Shri Manoj Jha
Date of birth	: 07.05.1960
Date of appointment	: 19.05.2010
Qualification	: B.Tech (Production Engineering)
Nature of expertise in specific functional areas	: As mentioned in Explanatory Statement of the Notice of 68th Annual General Meeting
Names of directorship in other companies	: Maxcellence India Private Limited
Names of committees of other companies in which the director is a member.	: Nil
No. of shares held in the Company	: NIL
Relationships with other Directors	: No