



Hindustan Motors Limited

Annual Report
&
Accounts 2011-2012

HINDUSTAN MOTORS LIMITED

ANNUAL REPORT

Year Ended March 31, 2012

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 (up to 29.02.2012)	ICICI Nominee
Shri A. Sankaranarayanan	
Shri Subroto Gupta	IDBI Nominee
Shri Vijay Kumar Sharma	LIC Nominee
Shri Manoj Jha (up to 31.01.2012)	Managing Director
Shri Uttam Bose (w.e.f. 02.04.2012)	Managing Director

Chief Financial Officer and Company Secretary

Shri Yogesh Goenka

Bankers

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

Statutory Auditors

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

Cost Auditors

Messrs. Shome & Banerjee
Cost Accountants
5A, Nurulla Doctor Lane (West Range)
2nd Floor, Kolkata - 700 017

Share Transfer Agents

Karvy Computershare Private 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 : einward.ris@karvy.com
mahendra.singh@karvy.com
Kolkata Office : (033) 2464 7231, 2464 4891

Registered Office

'Birla Building', 14th Floor
9/1, Rajendra Nath Mukherjee Road, Kolkata 700 001

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Notice to the Shareholders

NOTICE is hereby given that the Seventieth 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 Monday, the 13th August, 2012 at 2.30 p.m. 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, 2012.
- (2) To appoint a Director in place of Shri P. K. Khaitan who retires by rotation and being eligible offers himself for re-appointment.
- (3) To appoint a Director in place of Dr. Anand C. Burman who retires by rotation and being eligible offers himself for re-appointment.
- (4) To appoint a Director in place of Shri V. K. Sharma who retires by rotation and being eligible offers himself for re-appointment.
- (5) 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., (Registration No. 301003E) 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 ₹ 25,00,000/- (Rupees Twenty-five 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 :

- (6) To consider and, if thought fit, to pass with or without modification(s), 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 Uttam Bose be and he is hereby appointed as the Managing Director of the Company not liable to retire by rotation for a period of 3 (three) years with effect from 2nd April, 2012 at a remuneration and on the terms and conditions set out below:-

1. Salary (basic) per month : ₹ 4,67,000/- (Four lacs sixty-seven thousand) in a time scale of ₹ 4,67,000/- - ₹ 6,65,000/-. Annual increment shall be payable on 1st April of each year (starting from April, 2013) 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 : Monthly Special Allowance of 100% of the Salary (basic) applicable for the relevant period.
- b) Leave Travel Allowance : The yearly payment in the form of allowance shall be equivalent to one month's salary (basic).
- c) House Rent Allowance : Monthly House Rent Allowance of 60% of the Salary (basic) applicable for the relevant period.
- d) Medical reimbursement : Expenditure incurred by the Managing Director and his family, subject to a ceiling of ₹ 50,000/- (Fifty thousand) per annum.
- e) Club Fees : Actual fees for a maximum of two clubs, subject to a maximum of ₹ 50,000/- (Fifty thousand) per annum. This will not include Admission fees and life membership fees.
- f) Hospitalisation Insurance Scheme : As per the scheme of the Company, Hospitalisation Insurance coverage shall be provided for the Managing Director and dependent family members.
- g) Contribution to Provident Fund and Gratuity will be as per the Rules / Scheme of the Company.
- h) 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.
- i) 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 and use of car for private purpose shall be billed by the Company to the Managing Director.

3. Performance Variable Pay : In addition to the above, the Managing Director shall be entitled for a Performance Variable Pay of a maximum of ₹ 40,00,000/- (Forty lacs) per annum for the 1st year of service, maximum of ₹ 50,00,000/- (Fifty lacs) per annum for the 2nd year of service and maximum of ₹ 60,00,000/- (Sixty lacs) per annum for the 3rd year of service. The exact quantum payable will be based on extent of achievement against the deliverables as decided by the Board of Directors or Remuneration Committee of Directors of the Company from time to time.

4. Joining Bonus : In addition to the above, the Managing Director shall be entitled for a one time joining bonus of ₹ 24,00,000/- (Twenty-four lacs). This amount will be liable for recovery if the Managing Director were to leave purely on his own will before completing two years of service. The recovery will be at the rate of ₹ 1,00,000/- (One lac) per month for the balance period of completion of two years.

- Minimum Remuneration : The remuneration specified at Sl. Nos.1 to 3 above subject to approval of Central Government, if required, shall be paid to Shri Uttam Bose 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 Uttam Bose as Managing Director of the Company is terminable by either side with a notice period of three months or Company paying three months salary (basic) in lieu of such notice."

Registered Office:
'Birla Building', 14th Floor
9/1, Rajendra Nath Mukherjee Road
Kolkata 700 001
Dated, the 12th June, 2012

By Order of the Board
For HINDUSTAN MOTORS LTD
Yogesh Goenka
*Chief Financial Officer and
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 P. K. Khaitan, Dr. Anand C. Burman and Shri V. K. Sharma, 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 and 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 Monday, the 6th August, 2012 to Monday, the 13th August, 2012 (both days inclusive).
7. (a) Members are requested to notify change of address, if any, with PINCODE to the Company or to its Registrar and 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 Registrar and 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 and Share Transfer Agents, Karvy Computershare Private Limited.
13. The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in Corporate Governance" (Circular No. 17/2011 dated 21.04.2011 and Circular No. 18/2011 dated 29.04.2011) allowing paperless compliances by Companies through electronic mode. Companies are now permitted to send various notices /documents to its shareholders through electronic mode to the registered e-mail addresses of shareholders. Keeping in view the underlying theme and the circular issued by MCA, the Company proposes to send all documents to Shareholders like General Meeting Notices (including AGM), Audited Financial Statements, Directors' Report, Auditors' Report etc. to the shareholders through e-mail. **Shareholders holding shares in dematerialized form are requested to register their e-mail ID with their Depository Participants and shareholders holding shares in physical form are requested to register their e-mail ID with Registrar and Share Transfer Agents of the Company i.e., Karvy Computershare Private Limited, Plot Nos. 17 to 24 Vittal Rao Nagar, Madhapur, Hyderabad 500 081 for sending documents through e-mail.**

Annexure to the Notice

Explanatory Statement

The following Explanatory Statement relating to Special Business at item No. 6 of the accompanying Notice sets out all material facts as required under Section 173 of the Companies Act, 1956.

Item No.6

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

Accordingly, the Board Members at its meeting held on 7th March, 2012, has appointed Shri Uttam Bose as Whole-time Director designated as Managing Director for a period of three years with effect from 2nd April, 2012. The salient terms and conditions of the appointment are set out in the Resolution in Item No.6 of the subjoined Notice.

The remuneration payable to Managing Director has also been approved by Remuneration Committee of Directors at its Meeting held on 7th March, 2012.

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

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: ₹ in lacs

Financial Year ended	31.03.2012	31.03.2011	31.03.2010
Gross Revenue from Operations	59192.87	80271.17	68821.77
Net Revenue from Operations	49547.57	65479.16	56720.88
Profit/(Loss) before Exceptional Items and Tax	(13396.45)	(10061.90)	(9113.83)
Exceptional Items	10056.06	9680.53	5783.96
Profit/(Loss) before Tax	(3340.39)	(381.37)	(3329.87)
Tax Expenses	(344.73)	(456.60)	1780.15
Profit/(Loss) for the Year	(2995.66)	75.23	(5110.02)
Equity Share Capital	8657.08	8067.08	16125.68

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

Financial Year ended	31.03.2012	31.03.2011	31.03.2010
Foreign Exchange Earnings (FOB value of Exports)	93.14	13.03	4.43

- (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 Uttam Bose, Managing Director of the Company is a Bachelor of Engineering (Mechanical), MBA (Finance), Qualified Lead Auditor(Quality System), Qualified Value Engineer and Qualified TPM Instructor.

Career : Shri Uttam Bose is a professional with Bachelor of Engineering (Mechanical) and MBA (Finance). He has about 26 years of experience (over 12 years as leadership role) in domestic and overseas assignments. During his career Shri Uttam Bose has worked with Hero Motors Limited, Caparo India Limited, Samcor Glass Limited, Brunton Shaw ME, FZE in Dubai, Brunton Shaw UK Limited in England and Usha Martin Limited.

Shri Bose has rich and vast experience in automobile and engineering industries.

- (2) **Past remuneration :** ₹ in lacs

2011-12	2010-11	2009-10
138.02	127.81	65.34

- (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 Uttam Bose is a Senior Corporate Executive of proven caliber and excellence and is having wide ranging experience in manufacturing, business development and corporate strategies. 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, value addition to products and services through innovation. His main strengths have been building effective and motivated teams, market positioning, financial restructuring, business process re-engineering, strategic alliances and initiatives, cost optimization and working capital management.

The professional services of Shri Uttam Bose 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 heading large organizations, manufacturing and business development, Shri Uttam Bose is ideally suited for the position.

- (4) **Remuneration proposed :**

As referred in Item No. 6 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 Uttam Bose, 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 Uttam Bose has no pecuniary relationship with the Company other than his remuneration as Managing Director of the Company.

He is not having any direct or indirect interest in the capital of the Company or through any statutory structures and not having any direct or indirect interest or related to directors or promoters of the Company at any time during last two years before or on the date of appointment. He has specialized knowledge in the field of his profession. There is no managerial personnel related to Shri Bose. He is purely a professional executive of the Company.

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, Tiruvallur and Pithampur as well as component business from the Uttarpara Plant. The Chennai Car Plant at Tiruvallur manufactures and markets Mitsubishi vehicles namely Lancer, Cedia, Pajero, Pajero Sport, 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. 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. However the gains of such reduction could not sustain due to continuing depreciation of rupee vis-a-vis Japanese Yen causing continuous operating losses to the Company. Further continuous rise in interest rates and petrol prices significantly affected the sale volume from Chennai Car Plant. As a combined effect of continuous adverse forex rates and limited product range as of now with low volumes, the operating results of the Chennai Car Plant of the Company has been affected.

During the last few years, the Company's Uttarpara Plant has been experiencing steady decline in volumes. The Ambassador car is predominantly sold in niche segments such as taxis, institutional and commercial segments and the sales have been declining due to intensity of 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. However from 2010-11 the sale of Ambassador was also affected due to non-availability of BSIV compliant diesel engine and lower orders from government customers. Besides this, the Company was not able to sustain its volumes due to shortage of working capital and inadequate distribution network. The new small goods carrying vehicle called "Winner" introduced by the Company is yet to achieve volumes.

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 is making efforts to gain foothold in the highly competitive auto component business.

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 mainly Pajero Sport and seven-seater Outlander ;
- b) Introduced new diesel as well as alternate fuel driven Mini Truck, Winner in the growing markets both domestic as well as exports;
- c) Introduction of new variants of Ambassador and Winner in the commercial segment;
- d) 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;
- e) Modernization of manufacturing facilities to improve efficiency and reduce costs;
- f) Reduce the input and other overheads by value engineering, rationalisation of work force and other cost reduction measures;
- g) Thrust being given to dealer development activity to strengthen the distribution network.

(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 Uttam Bose.

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 70th Annual General Meeting.

The appointment and remuneration payable to Shri Uttam Bose as Managing Director require approval of the Company in General Meeting in terms of Part III of Schedule XIII of the Companies Act, 1956.

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 Uttam Bose as a Director of the Company.

Accordingly, your Directors recommend the resolution set out in Item No.6 of the convening Notice for your approval.